S. Hrg. 98-1030 Pt. 1

DEPARTMENTS OF COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 5712

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1985, AND FOR OTHER PURPOSES

(PART 1—pages 1-1013)

Board for International Broadcasting
Commission on Civil Rights
Department of Commerce
Department of State
Equal Employment Opportunity Commission
Federal Communications Commission
International Trade Commission
Nondepartmental Witnesses
Securities and Exchange Commission
U.S. Information Agency

Printed for the use of the Committee on Appropriations

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CONTENTS

MONDAY, MARCH 5, 1984

Nondepartmental witnesses:

	Page
Panel I	1
Panel III	43
Panel IV	84
Panel II	116
Panel V	137
Panel VI	164

WEDNESDAY, MARCH 7, 1984

Board for International Broadcasting	341
Securities and Exchange Commission	363
Equal Employment Opportunity Commission	401
Commission on Civil Rights	437

MONDAY, MARCH 12, 1984

Department of Commerce:

Secretary of Commerce	451
International Trade Commission	563

FRIDAY, MARCH 16, 1984

Federal Communications Commission	611

WEDNESDAY, MARCH 28, 1984

Department of State:

Secretary of State	675
U.S. Information Agency	839

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

MONDAY, MARCH 5, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:35 a.m. in room S–146, the Capitol, Hon. Warren Rudman presiding.

Present: Senators Hatfield and Rudman.

NONDEPARTMENTAL WITNESSES

Panel I

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION PROGRAMS

STATEMENT OF ROBERT W. CORELL, DIRECTOR OF MARINE PROGRAMS, UNIVERSITY OF NEW HAMPSHIRE, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES (SEA GRANT)

ACCOMPANIED BY:

RUSSELL A. COOKINGHAM, DIRECTOR, NEW JERSEY DIVISION OF FISH, GAME AND WILDLIFE, INTERNATIONAL ASSOCIATION OF FISH AND WILDLIFE AGENCIES (NATIONAL MARINE FISHERIES)

JIM McCALLUM, ATLANTIC STATES MARINE FISHERIES COMMISSION (NATIONAL MARINE FISHERIES)

RUDOLPH A. ROSEN, FISHERIES RESOURCE SPECIALIST, NATIONAL WILDLIFE FEDERATION (NATIONAL MARINE FISHERIES)

PREPARED STATEMENT

Senator RUDMAN. The subcommittee will be in order. I am going to ask that the statement of the chairman of the subcommittee be incorporated in the record preceding my opening statement.

[The statement follows:]

PREPARED STATEMENT OF HON. PAUL LAXALT

The fiscal year 1985 hearings of the Commerce, Justice, State, the Judiciary and Related Agencies Subcommittee begin on Monday, March 5 and will continue through Friday, May 25, 1984. These hearings will examine the Administration's fiscal year 1985 budget requests, submitted to the Congress on February 1, 1984. These requests total $11,180,558,000, including the request of $325,000,000 submitted directly to Congress by the Legal Services Corporation. While the estimates represent an increase of $680,-

923,000 over the fiscal year 1984 enacted level of $10,499,665,000, they contain a number of high priority initiatives, including increases of +$19,987,000 for modernizing the Patent and Trademark Office to reduce the backlog of patent applications, +$93,287,000 for the FBI to enhance law enforcement efforts, +$44,031,000 for the Drug Enforcement Administration to continue and expand efforts to halt illegal drug trafficking, +$63,901,000 for the Immigration and Naturalization Service to begin the process of resolving problems on our borders, +$234,057,000 for the Department of State to support this Nation's vital foreign policy initiatives and to increase the security of our personnel and embassies overseas, +$82,680,000 to expand the program started last year to modernize our radio transmitters used by the Voice of America, and +$20,264,000 for new educational and cultural exchange programs which foster better understanding between this country and other nations of the world.

The Subcommittee in its hearing process will carefully scrutinize the Administration's budget estimates and will attempt to balance those priorities with important Congressional initiatives including such programs as economic development assistance, public television and radio facilities expansion, promotion of tourism, protection and development of our ocean resources, assistance to small businesses, juvenile justice assistance, and legal services for the poor.

OPENING STATEMENT OF SENATOR RUDMAN

Today, the Commerce, Justice, State, the Judiciary and Related Agencies Appropriations Subcommittee will begin its hearings on the fiscal year 1985 budget submissions of the agencies under our jurisdiction.

The administration's request totals $11,180,558,000, including $325 million for the Legal Services Corporation which submits its budget directly to Congress. In addition, the committee will examine a number of reprogramings and supplementals relating to the fiscal year 1984 budget.

We begin our proceedings this year by hearing the testimony of outside witnesses. We welcome the input from members of the public. Unfortunately, we have a number of people to testify today and we will have to limit each person to 3 minutes in order to hear everyone.

The committee has a lighting system here on the table which will shift from green to red to notify each speaker that time has elapsed. Additional materials will be included in the record.

We have arranged speakers in panels, each dealing with a topic. I assume that you all know what panel you are on. If not, please notify the staff. I ask that all members of a panel come to the table at the same time and that each member of the panel wait until everyone else is finished before exiting.

Our first panel this morning will present testimony on programs under the jurisdiction of the National Oceanic and Atmospheric Administration in the Department of Commerce. We will begin this panel by hearing from Dr. Robert Corell, from my home State of New Hampshire, followed by Mr. Russell A. Cookingham, Mr. Jim McCallum, and Dr. Rudolph Rosen.

Thank you for coming, gentlemen.

Dr. Corell, you may proceed.

Senator RUDMAN. I will simply welcome you all. We have a long morning and must hear about 24 witnesses. I am pleased to be able to chair this hearing for our chairman, Senator Laxalt, who is unable to be here this morning.

INTRODUCTION OF PANEL I

Senator RUDMAN. I am going to yield for any comments that the chairman of our full committee, Senator Hatfield, would like to make.

Chairman HATFIELD. Thank you, no, Mr. Chairman. Please proceed.

Senator RUDMAN. Our first panel this morning is on NOAA issues. I am pleased to welcome Robert W. Corell, director of marine programs, University of New Hampshire, National Association of State Universities and Land-Grant Colleges on sea grant; Mr. Russell A. Cookingham, director, New Jersey Division of Fish, Game and Wildlife, International Association of Fish and Wildlife Agencies; Mr. Jim McCallum, Atlantic States Marine Fisheries Commission; and Rudolph A. Rosen—Dr. Rosen—fisheries resource specialist, the National Wildlife Federation.

I believe the staff has informed you of our time limitations here this morning. If you would like to proceed, please do so.

NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

STATEMENT OF ROBERT CORELL

Mr. CORELL. Good morning, Senator Rudman, Senator Hatfield. It is an honor and privilege to be here this morning to talk about the National Association of State Universities and Land-Grant Colleges and the Sea Grant Associations. Written testimony has been submitted, and I will summarize.

Senator RUDMAN. I will add for the record here, for all the witnesses, that each of your statements will be entered into the record at the appropriate place.

Mr. CORELL. I want to begin by thanking you and other members of this committee for your many years of leadership in restoring major reductions in the NOAA programs which have been proposed in the last several years in the Federal budget.

The fiscal year 1985 NOAA budget proposes to cut major parts of the Nation's civilian marine capabilities, including such items as fishery programs, coastal management, and the termination of the sea grant program. This subcommittee has been able to watch over the years the sea grant program evolve to a present network of sea grant colleges and universities involving well over 250 institutions in 39 States, Puerto Rico, Guam, and the District of Columbia.

BUDGET REQUEST

We are suggesting in our full testimony a fiscal year 1985 appropriation of $46 million, which is the current mark, and the reauthorization for sea grants for 1984 and 1985, which is an increase of $9.5 million over the fiscal year 1984 appropriation. We are suggesting it for the following reasons:

To increase about $1.5 million to restore the programs to a level at which funds have actually been spent in the last several years and as approved by this committee last year; that is, $38 million;

A $2 million increase to fund priority, fundamental research in our developing sea grant colleges in such States as Illinois, Connecticut, and elsewhere, and $5 million to increase the fundamental research such as vital technologies and other high-technology aspects of our research programs;

And, finally, $1 million to reinstate the international program, which, in our judgment, has been extraordinarily successful, even though modestly funded.

We realize that a request like this raises difficulties in a time when we are seriously concerned about deficits. However, the science policy of this administration, a recent declaration of the exclusive economic zone, and the past achievement of the sea grant program, we think, justifies such a request. Let me elaborate on a couple of points.

SEA GRANT PROGRAM

First, by the measures of others, the sea grant program has been successful. Second, it is not a grant program; it is a program that functions on the principle of competition and merit which we believe insures high-quality research activity.

Third, sea grant funds have had economic leverage; there are many studies to that effect, and there is a notebook you and others have. There are others available for people who would like them. For example, a recent study by a sea grant group at MIT showed a 1975 investment by the Federal Government of about $25 million of sea grants resulted in 1981 of $60 million in the private sector, with 10 new companies formed, 25 subsidiaries formed, and 67 former students of sea grant now employed as a direct result of their research work in these companies.

In our State, Senator, the sea grant program has been equally important, and investments a few years ago in underwater robotics is the basis of an extensive R&D program with the direct suoport of DOD and the Department of the Interior. There are new needs emerging, an opportunity for sea grants to play an important role in new problems of our Nation's ocean policies. We have instituted initiatives such as biotechnology, marine biochemicals, and aquaculture. These are just examples of the kind of new direction that sea grants has evolved to meet.

We are determined in the sea grant community to return to the public manyfold the investment that the Federal Government makes in terms of economic development, industrial growth and social benefit.

I do appreciate the opportunity to appear before you and thank you for your support and your interest in the national sea grant college program.

Senator RUDMAN. We thank you very much, Dr. Corell. I want to personally commend you for the extraordinary job you have been doing in New Hampshire. We thank you for your appearance here this morning.

Mr. CORELL. My pleasure.

[The prepared statement of Robert W. Corell follows:]

PREPARED STATEMENT OF PROFESSOR ROBERT W. CORELL

DIRECTOR OF MARINE AND SEA GRANT PROGRAMS

UNIVERSITY OF NEW HAMPSHIRE

Thank you, Mr. Chairman, and good morning. I am Robert W. Corell, Professor of Engineering and Director of Marine Programs at the University of New Hampshire. I am also Director of the Maine/New Hampshire Sea Grant College Program and Chairman of the Sea Grant Task Force.

I appreciate the opportunity to testify on the National Oceanic and Atmospheric Administration (NOAA) budget request before this Subcommittee on behalf of the Marine Division of the National Association of State Universities and Land-Grant Colleges (NASULGC) and the Sea Grant Association. A written statement has been submitted for the record, and my oral testimony will be a brief summary of that statement.

The Marine Division of NASULGC is composed of 50 major marine research and education institutions in the United States which are committed to the conservation, development and understanding of the ocean and coastal environments. The Sea Grant Association consists of 35 colleges, universities, research centers, industries and consortia, all dedicated to enhancing the nation's capability to develop, use and manage our marine resources. Over the past five years the Sea Grant Programs have supported education, research and public service activities at over 250 educational institutions in 39 states, plus Guam, Puerto Rico and the District of Columbia. Most members of the Marine Division and the Sea Grant Association are also members of NASULGC. This association is composed of 144 colleges and universities with a total enrollment of approximately 2.8 million students.

I want to begin my testimony on the NOAA budget by thanking you and the other Members of this Committee for your leadership in restoring the major reductions in the agency's programs which have been proposed in the FY82-FY84 budgets.

The FY85 NOAA budget again proposes to cut a major part of the nation's civilian marine capabilities and affects our capacity to carry out our nation's civilian marine policy. The cuts include such items as the fishery programs, coastal management, and termination of the Sea Grant program. In the general area of research, the proposed cuts are very serious, especially for fisheries and for ocean sciences. I cite the NOAA Undersea Research Program (NURP) as one example of a national resource which is endangered. Although the fishermen, the states and the universities may be those most immediately affected, the ultimate impact is much broader. In the years that these cuts have been proposed (FY82-FY85), NOAA and its associated programs have been increasingly squeezed. Activities begin to wither, good people leave, and mandated programs are ignored.

Now I want to make some additional observations about NOAA's relations with our nation's universities. Historically, these have not been close, in contrast to university relations with the leading science based federal line agencies, such as the National Science Foundation (NSF), the Department of Agriculture and the National Aeronautics and Space Administration (NASA). These agencies have always viewed American universities as the world's greatest repository of scientific personnel and expertise. They have built their programs on a solid university base. NOAA has not well availed itself of this talent pool. For some years, Sea Grant has represented approximately 60-70% of NOAA's total university involvement of all kinds -- oceanic and atmospheric research, support services and public service. Projected increases of non-Sea Grant activities have been more apparent than real.

Turning to the Sea Grant Program, Mr. Chairman, we want to express our appreciation to you and to the other Members of this Committee for your strong and continued support of the National Sea Grant College program. This

Subcommittee has been able to watch Sea Grant evolve since its inception to its present network of 20 Sea Grant colleges and 9 other institutions. The support and nourishment provided by this Subcommittee over the years has made this growth possible. You may be sure, Mr. Chairman, that the Sea Grant Institutions recognize their responsibility to live up to the standard that you have come to expect of us.

We are requesting an FY 85 appropriation of $46 million for the Sea Grant Program, an increase of $9.5 million above the FY 84 appropriation. This increase would be allocated in the following manner:

* $1.5 million to restore the core program to the FY 81 - FY 83 level at which funds were actually spent, as approved by this Committee last year ($38 million).

* $2 million to fund priority research in the developing Sea Grant colleges to enable full utilization of those institutions.

* $5 million for increased fundamental research on critical marine resources, such as marine biotechnology, fundamental estuarine and fishery dynamics, and the waste assimilation capacity of the sea.

* $1 million for the International Program, in order to allow renewed emphasis on the international aspects of marine resources.

This request is further detailed in the attached justification document and accompanying attachments. My further remarks are directed towards the need for this appropriation, and I have several points to present for your consideration.

We realize that this request raises difficulties at a time of serious concern over the deficit, particularly when it is not only $9.5 million more than the appropriation for FY 84, $8 million more than this Committee approved for FY 84, and $46 million more than the proposed Administration budget for FY 85. However, we urge that the logic of this country's marine resource needs, particularly given the science policy of the Administration and the declaration of the Exclusive Economic Zone, and the past record of achievement of the National Sea Grant College Program, justify such a request. Let me elaborate on a few points.

First, this is a successful program. The program was well conceived by the Congress, it has been well administered, and it has carried out the mandate of the Congress. In addition to this Committee's statements of support for the Sea Grant Program, other government and private entities, such as the National Advisory Committee on Oceans and Atmosphere (NACOA) and the Heritage Foundation, have expressed support for the program. In its 1981 publication, Mandate for Leadership, the Foundation recommended that, "Sea Grant funding should be increased by 10 percent per year in real terms for the next five years." I might add that if this recommendation had been followed in the same way as so many other Heritage Foundation recommendations have been, the Administration's FY 85 request would be in the vicinity of $61 million.

Secondly, a few factors have been important in making Sea Grant successful: it is a national network of university programs; it operates on principles of merit and competition; and it uniquely combines the functions of research, education and advisory services.

The structure of the Sea Grant program -- as a national network of university programs -- encourages sharing of intellectual resources among the universities on a national level. This broad intellectual base for the program has enlisted the best marine science talents from around the country. These talents come not only from the core of Sea Grant's 29 Sea Grant colleges and institutions, but from over 250 educational institutions in 39 states, Puerto Rico, Guam, and the District of Columbia which are also participants in Sea Grant activities. Sea Grant is not an exclusive club of a few institutions, rather it is a national, informal network of capabilities for working on large and small, national and grass-roots problems.

The principles of competition and merit ensure a high level of quality in Sea Grant programs. The word "Grant" in Sea Grant's name gives rise to the misconception that the funds come "free." This has never been the case. Sea Grant is not a formula-based distribution of funds.

The tripartite structure of the Sea Grant program -- research, education and advisory services (extension) -- was established by the Congress and has given Sea Grant much of its strength. It is a unique combination of missions among ocean and coastal programs. Unlike many research programs in which ideas emerge primarily from the researcher, Sea Grant builds in feedback from the marine and coastal community through its marine advisory staff. In addition to their traditional role of assuring that new knowledge gets to where it can best be used, marine advisory service staff identify needs of the businesses, industries and communities with which they work, and bring these to the attention of researchers. This feedback of research needs from community to cmapus is one of the critical factors in Sea Grant's success.

Third, Sea Grant federal funds have a leverage effect. They not only serve as the glue that holds a national effort together, they also stimulate additional investment. This additional investment may come as the result of new products developed and companies formed because of the findings of Sea Grant researchers, or as a result of spin-off projects which other agencies and groups join and help bring to development. A recent study by Massachusetts Institute of Technology researchers has shown that a 1975 investment of $23 million by the Federal government in Sea Grant resulted in 1981 sales of about $60 million; 10 new and 25 subsidiary companies were formed; and, 67 former students employed in occupations directly related to their Sea Grant research experience.

Sea Grant Federal funds are matched on a 1:2 basis by state, university, and private funds as required in the National Sea Grant College Program Act. The current $36.5 million appropriation is matched by an additional $19 million (at least) from other sources. When times are good and there is confidence in the future of the Sea Grant Program, the percentage of matching funds is likely to be higher, running closer to 40% of the total expenditures. Conversely, when appropriations are down and there is legitimate concern about the Federal commitment, there is a tendency to hold matching funds to the absolute legal minimum.

I would urge that the Federal government follow an investment model with regard to this program. This is the model followed by the Sea Grant Programs, our universities, and private industry. This model rewards success. From the start, the Sea Grant Programs have said they are both willing and anxious to be judged by scientific, education, social, and economic results.

Last year, the Sea Grant Association published a Resource Book which describes the nature of the Sea Grant Program and its achievements. I have a copy here with me. Many of your offices have copies and we can supply others. The record of achievement described in these pages is one of which we are proud. Sea Grant has helped save lives. It has contributed to economic growth. It has contributed to the quality of life. Rather than recite that record, let me review several developments in my own state of New Hampshire.

Sea Grant has a very special role to play our country -- it addresses national, regional, and state-level issues, and our New Hampshire/Maine Sea Grant College Program is no exception. Several examples should demonstrate this. A Sea Grant program project on underwater robotics a few years ago is now the basis of an extensive technology development effort at the University of New Hampshire (UNH) in direct support to critical Department of Defense programs and to the Department of the Interior. In the early 1970's, mussel landings in Northern New England totalled about 150,000 pounds with a value of only $35,000. After a five year research and marketing effort (involving fishermen, new industries, state government, and university research personnel), the landings increased twenty fold. Today, mussels are commonplace in the markets and restaurants of New England, with total sales now of about $3.5 million, 100 times the sales at the start of our Sea Grant research.

Working with the New Hampshire Fish and Game Department and with the New Hampshire Public Health Laboratory, the Sea Grant Program has developed an accurate and inexpensive method for detecting the toxins of the red tide organism which makes New England shellfish poisonous to humans. Our goal is to establish this toxin detection method as a complement or possible replacement for other toxin detection methods which are less accurate, thereby saving the states money in testing for the organism and helping the shellfish industry. The New Hampshire Sea Grant Program has discovered a technique for predicting the stability of coastal and seafloor sands, which can help builders avoid earthquakes and storm-wave damage to oil rigs and pier foundations.

In conclusion, Mr. Chairman, the Sea Grant College Program in our state is making an important scientific and economic contribution to the high technology of robotics, biotechnology, and sophisticated ocean engineering and to developing markets for small businesses.

Mr. Chairman, there are new needs and opportunities for Sea Grant to play an important role in this nation's ocean policy. The President has just proclaimed the 200-mile Exclusive Economic Zone for this country, giving us management responsibility for a water area greater than our land mass. We know little of the resources available to us there, but we do know that major resource-use conflicts will emerge. As the result of the Law of the Sea negotiations, the coastal nations of the world are in the process of enclosing the biologically and economically productive areas of the world ocean. We do not know the full implications of this to our nation. The Great Lakes are a critical source of water and food for more than eight states and for a major part of our population. We share these resources with our Canadian neighbors with whom we also share important Atlantic and Pacific resources.

Mr. Chairman, in order to improve our ability to respond to national needs, we have requested additional funding which will increase our fundamental research commitment in areas of important national need. This research is vital to marine resource strategy and an essential component for economic development. At this time, scientific advances such as computerized technology, underwater work systems, and genetic engineering are vastly expanding the opportunities we have for putting the oceans and their resources to work. These are challenges and opportunities for Sea Grant. We wish to continue to participate in the revitalization of the nation's economy. Initiatives being developed by the Sea Grant community in biotechnology, marine biochemicals, and aquaculture are all evidence that we have barely begun to use our coastal and ocean resources effectively and innovatively. The potential payoffs are enormous.

Mr. Chairman, Sea Grant will continue to be the effective program you have found it to be in the past. You may be assured that we in the Sea Grant community will do everything within our power to assure that the investment of the Federal government in Sea Grant is returned to the public many-fold in economic and social benefits. Mr. Chairman, I appreciate the opportunity to appear before you today and to find your continued willingness to invest, through Sea Grant, in the future of the nation's marine resources.

In closing, I want to thank you again for your support for the NOAA and the Sea Grant Programs. I will be glad to answer any questions you may have.

Attachments:

A. FY 85 Budget Information for the National Sea Grant College Program
B. National Sea Grant College Program: A Funding Overview, FY 81-84
C. List of Sea Grant Colleges and Institutions

Attachment A

SEA GRANT FY 85 REQUEST

Summary

The National Association of State Universities and Land-Grant Colleges and the Sea Grant Association request a $9.5 million increase over the FY 84 appropriation for the National Sea Grant College Program. The increase would accomplish the following:

(1) $1.5 million would be used to maintain the core program at the 29 primary Sea Grant institutions, effectively restoring them to the operating level of FY 82 and FY 83.

(2) $2 million to fund priority research in the developing Sea Grant colleges to enable full utilization of those institutions.

(3) $5 million would make it possible to increase fundamental research on critical marine resources, such as marine biotechnology, fundamental estuarine and fishery dynamics and the waste assimilation capacity of the sea.

(4) $1 million for international programs would provide for renewed international programming, since marine resources and technology are essentially international in nature.

Budget Request and Justification

1. Core Programs: $1.5 million

The effects of the FY 82 and FY 83 cuts on the core Sea Grant programs were partially ameliorated by drastic cutbacks in several other program areas and by funds released late in FY 81 which essentially carried forward into subsequent fiscal years. The attached document, "National Sea Grant College Program: A Funding Overview, FY 81-84," a revision of the document prepared last year at the request of Senate staff and used in the deliberations which led to a Senate mark of $38 million for Sea Grant, details the background. $1.5 million would restore the core programs to the $38 million level, which approximates the average for FY 81-84.

2. Developing Programs: $2 Million

One of the most serious effects of the funding levels of the past three years has been the inability to use advantageously the capabilities of the smaller and newer developing programs. While the potential for growth in this critical capability (which is necessary to achieve Sea Grant College status) exists in these institutions, the nation has not been able to use it due to lack of funds to support the programs. Atlantic Coast and Great Lakes programs have been particularly affected. The alternative -- slashing the established programs which have continued to provide a high return on the national investment -- would handicap what is widely recognized by Congress as a highly effective, cost-efficient program which has contributed far more to the nation's economy than has been invested in it.

The programs affected in this category include those from Southern California, Connecticut, Illinois, Indiana, Minnesota, New Jersey, Ohio, Puerto Rico, South Carolina and Woods Hole in Massachusetts. Funds would allow these institutions to take advantage of innately excellent capabilities to resume development toward college status. Some examples that are latent because of funding limitations include the high technology research capability at Princeton and Lehigh in the New Jersey program, aquaculture development in South Carolina, and basic oceanography at Southern California and Woods Hole. In addition, a small portion of the funds should be used to enhance programs in some of the smaller and more recent Sea Grant Colleges, which have also been limited by lack of funds.

3. Fundamental Research on Critical Marine Resource Needs: $5 Million

Both in the Congress and within the Administration, there has been considerable attention recently to the need for increased fundamental research in areas of critical need and/or substantial opportunity. Among other things, this research will provide essential information for industrial and economic development. There are several highly promising areas which offer great potential for investment:

A. Marine Biotechnology

The application of fundamental knowledge of the molecular basis of biological processess -- biotechnology -- is a scientific revolution offering immense potential for advancing the development and use of marine resources. The challenge in pursuing the use of biotechnology in marine resource development and utilization is to acquire the necessary basic understanding of molecular and microbial processes of marine organisms and systems in order to lay the groundwork for genetic engineering and other techniques. Applications to marine resources include augmentation of protein production; creation of drugs for cancer, disease and pain control; production of valuable chemical products; the control of biofouling; and the isolation and characterization of the action of marine toxins.

B. Estuarine and Fishery Dynamics:

At a time when we face a multi-billion dollar balance of trade deficit in fish products, important work is needed to better understand and quantify estuarine ecosystems, which are the critical habiats and nurseries for over 90% of our fisheries; to explore the interactions among multiple species, including that between commercially important species and their food base; and to examine the physical, chemical, and biological factors affecting fishery recruitment and ultimate productivity and variability. The information from these studies is vital for management of critical habitat, for enhancement and management of a too-stressed fishery resource, and for better prediction of future yields -- information which is essential for harvesters, processors and cognizant agencies -- and for the taxpayer.

C. Waste Asssimilation Capacity of the Sea:

The ocean has great potential for certain forms of waste disposal, and demand for its use for this purpose is growing. At the same time, we do not have sufficient information on the dispersion and fate of ordinary nutrients and organic materials, much less on the fate and effects of toxic wastes. In addition, serious attention must be given to the control and elimination of pathogenic organism in the marine environment. And new waste technology must be developed.

4. International Program: $1 Million

Many important marine resources are international in scope, either because they are "common" property, or are shared among several countries, or because one country has what another country needs. Just look at the continent of North America alone, we have important interactions with Canada and Mexico which are vital to a coherent marine resource strategy. Previous Sea Grant international activity, terminated after the FY 82 budget cuts, helped establish cooperative, matching programs at host institutions in developing countries, trained U.S. students who will be involved in ocean resource management, and helped development of year-round research activities where U.S.-based research alone would have been seasonal. This kind of cooperative effort needs to be sustained on a long-range basis, and both the knowledge and good will derived from it will have benefits.

However, technology transfer is not a one-way street. In many, many areas, such as fisheries, aquaculture and undersea development, we have at least as much to learn from other countries as they have to learn from us. An increased international component in the Sea Grant program can have important effects on our wiser use of marine resources. A modest invesment is needed to start up this important activity again.

Effects of Recent Cuts

The reduction of support for the National Sea Grant College Program from the FY 81 level of $41.8 million has had the following effects:

(1) Reduced support for all core Sea Grant programs;

(2) Reduction in education and training;

(3) Reducting in marine advisory and extension activities;

(4) Phasing out of remaining national projects;

(5) Elimination of internatinal projects;

(6) Reduction of emphasis on special new marine resources development activities;

(7) Virtual elimination of individual projects outside the core programs and of most programmed support activities;

The cuts have hit every area of program activity. Among all of these, the most damaging effects have been felt in two areas:

(A) Research, where the combination of cuts, delays and uncertainties has largely constrained commitments to important new areas of inquiry, particularly those involving fundamental, longer-term, higher risk research; and,

(B) Advisory Services, where every program has been forced to cut back its personnel base and eliminate or substantially reduce services to a wide range of clientele.

These cuts in turn do not reflect the effects of inflation, at a time when the costs of scientific supplies and equipment continue to escalate and salaries of critical scientific personnel are rising.

National Sea Grant Task Force
February, 1984

For more information, contact:

B.J. Copeland, 919/737-2454
Robert W. Corell, 603/862-2994
Louie Echols, 206/543-6600
Kathryn Tollerton, 202/293-7120

or your local Sea Grant Director.

Attachment B

NATIONAL SEA GRANT COLLEGE PROGRAM
A Funding Overview
FY81-84

The National Sea Grant College Program (P.L. 96-289) for the past three years has had appropriated:

* FY81 -- $41.8M

* FY82 -- $35M (through a continuing resolution)

* FY83 -- $35M (through a continuing resolution)

* FY84 -- $36.5M*

The actual use of these funds to support the National Sea Grant College Program followed these patterns:

FY81

* Only $38.8M was available during the fiscal year (FY81) because the Administration requested a $3M recision. The Congress refused to approve the recision, and the $3M was released late in the fiscal year.

* Therefore, the FY81 $3M was used to forward fund College Programs that had already been formally reviewed and approved for two years of funding.

FY82 & FY83

In FY82 and FY83, substantial efforts were made to try to maintain the FY81 Program levels for the basic institutional programs (all of the funded programs other than the National, International and individual projects) by:

* Using the $3M to "forward" fund some College Programs (as noted in FY81 above)

* Reducing the National Projects from $1M to $0.4M with plans to terminate these in FY84

* Terminating the funding of the International Program

* Reducing Individual Projects funding by 60%

* Making reductions in over one-half of the basic College and Institutional Programs

The actual annual budgets for the six major categories of the National Sea Grant College Program were:

*Details on the allocation of the FY84 appropriation are not yet available.

	FY81*	FY82*	FY83*	FY84**
Colleges & Institutions	$34,049,000	$34,143,000	$33,804,000	
Coherent Areas Programs	875,000	1,041,000	1,160,000	
Individual Projects	770,000	316,000	321,000	

	FY81*	FY82*	FY83*	FY84**
National Projects	1,033,000	519,000	448,000	
International Projects	312,000	0	0	
Federal Administration	1,820,000	1,800,000	1,457,000	
TOTALS	$38,859,000	$37,819,000	$37,190,000	

*These figures are actual annualized approved expenditures.
**Data not yet available.

Thus in FY82 and FY83, though the appropriation level was $35M, the Program expenditure levels were significantly greater because of prior obligations.

Attachment C

NATIONAL SEA GRANT COLLEGE PROGRAMS

SEA GRANT COLLEGES AND INSTITUTIONS

Alaska Sea Grant College Program
California Sea Grant College Program
University of Southern California Sea Grant Program
Connecticut Sea Grant
University of Delaware Sea Grant College Program
Florida Sea Grant College
Georgia Sea Grant Program
University of Hawaii Sea Grant College Program
Illinois-Indiana Sea Grant Marine Extension Project
Louisiana Sea Grant College Program
University of Maryland Sea Grant College
Massachusetts Institute of Technology Sea Grant Program
Michigan Sea Grant College Program
Minnesota Sea Grant Institute
Mississippi-Alabama Sea Grant Consortium
University of New Hampshire/University of Maine Sea Grant College Program
New Jersey Institutional Sea Grant Program by New Jersey Marine Sciences Consortium
New York Sea Grant Institute of State University of New York and Cornell University
University of North Carolina Sea Grant College Program
Ohio Sea Grant Program
Oregon State University Sea Grant College Program
University of Puerto Rico Sea Grant College Program
University of Rhode Island Sea Grant College Program

South Carolina Sea Grant Consortium
Texas A&M University Sea Grant College Program
Virginia Sea Grant Program
Washington Sea Grant Program
University of Wisconsin Sea Grant College Program
Woods Hole Oceanographic Institution Sea Grant Program

INTERNATIONAL ASSOCIATION OF FISH AND WILDLIFE AGENCIES

STATEMENT OF RUSSELL COOKINGHAM

Mr. COOKINGHAM. I am speaking on behalf of the International Association of Fish and Wildlife Agencies, which is made up of all 50 States and wildlife agencies in the country.

We look at this National Marine Fisheries budget as a total abandonment of the Federal responsibility to the Nation's marine resources. I would like to comment on a few of the highlights. I have submitted testimony, but there are some items which I think particularly involve States which I would like to emphasize.

STATES RESEARCH DEVELOPMENT PROGRAMS

Under the Commercial Fisheries Research and Development Act, Public Law 88-309—this act was enacted during the 1960's and has been the mainstay of the States' research development programs. In fact, some of the smaller States, without 88-309, I am sure, would go back to caretaker status. Not only does this help the States in our fisheries program, but it provides much of the basic data and information that can be drawn on by the councils in their work and has been drawn on by the interstate program which has been worked on during the last 13, 14 years.

In that same category as Public Law 89-304, the Anadromous Fisheries Act, under the administration's budget, would be totally wiped out at a time when we are in a very serious state with the striped bass and they declined last year almost to an all-time low.

This is not the time to strip these funds off this most vital program.

ACTIVITIES OF REGIONAL FISHERIES MANAGEMENT COUNCILS

Regional fisheries management councils created by the Magnuson Act, after a lot of growing pains and hard work, we are now functioning in a rational, reasonable way, and we are doing what we think are good things. We have expanded our joint venture program, for example, dramatically in the Mid-Atlantic area, in the area of squid, butterfish, and even mackerel now we have developed a joint venture program.

Also, we have been able to expand dockside processing and these efforts have had an impact on the balance of trade internationally, and we feel the timing is very poor to reduce the function and the capability of the councils to operate effectively. We see with this reduction of the councils that we probably would have a number of them who would have to combine their meetings, maybe to a third to twice a year, if that much.

Resource information, here, again, recreational harvest of work under resource data collecting, stock assessment work, all this work is vital to the development of management plans for both the councils and the interstate programs.

HABITAT PROGRAMS

Habitat programs are interesting because the National Marine Fisheries Service recently announced a nationwide habitat conservation policy. Here we see almost a 30-percent reduction in the program.

The Columbia River hatchery program concerns us because of the recommendation to transfer the Columbia River hatchery program to the Bonneville Power Administration. This doesn't seem to make too much sense, particularly when this program has been highly successful. I would like the interstate fishery management program, called State-Fed, to be absorbed as part of the regional office of budgets. It is a very small expenditure, but with reduction in regional offices, this program would probably be wiped out. This program has been underway now for about 14 years. We have worked collectively in the States developing management plans. We have gone into the area of summer flounders, striped bass. Some of these plans have been taken over by the councils since the councils came into being. Now we are concentrating efforts on the territorial fish and more recently, we have taken on the weakfish, shad, and river herring to develop plans for these species.

I might add, shad and river herring stocks, particularly in the South Atlantic, are almost in the endangered species status. Populations up and down the shore are of major concern to the States.

So in the States' opinions, we feel this program, which has not been a big dollar program, has been one of the most cost-effective, successful programs ever undertaken by the National Marine Fisheries Service, where the States can come together collectively, utilize their talents, utilize what data they have, hire a program manager for territorial fish. I am sure you well know territorial management is separated for the time being from the SCMA.

I would like to, in conclusion, thank you for the opportunity to speak before your group, Senator, and I hope the committee will be able to restore the National Marine Fisheries Service to at least last year's level.

[The prepared statement of Russell A. Cookingham follows:]

PREPARED STATEMENT OF RUSSELL A. COOKINGHAM

DIRECTOR

NEW JERSEY DIVISION OF FISH, GAME AND WILDLIFE

Mr. Chairman, my name is Russell A. Cookingham, Director of the New Jersey Division of Fish, Game and Wildlife, and I am representing the International Association of Fish and Wildlife Agencies, (IAFWA), an organization comprising all fifty state fish and wildlife agencies.

Our objectives include the promoting of conservation of our natural resources throughout North America, with particular emphasis on the protection and enhancement and wise use of our fisheries and wildlife resources.

The Association is particularly interested in the Administration's proposal for the National Marine Fisheries Service budget now before your Committee. That agency performs a vital role in fulfilling the federal government's responsibilities for the living marine and anadromous resources, including the implementation of the long established concept of federal-state partnership in maintaining effective fishery management programs for our economically important fishery resources.

The Association views the fiscal year 1985 budget proposal for the National Marine Fisheries Service (NMFS) as the virtual total abandonment of the federal responsibility to the nation's marine and anadromous resources and the federal-state partnership. Level funding over the past several years of inflation, and the attrition of personnel during the extended hiring freeze have already severely reduced the NMFS management capabilities. Proposed cuts totalling nearly 50% of this year's operational budget would result in a totally ineffective agency that would be unable to carry out even those activities which the budget pretends to support. In short, it would result in the total abrogation of federal responsibility for our living marine resources.

We urge Congress to restore the NOAA budget to current levels in the areas discussed below, and a 25 percent increase in P.L. 88-309 program to the level authorized by Congress.

Recommended Restorations and Additions strongly urged by IAFWA are as follows which would bring the 84-85 budget more in line with the 83-84 operational budget.

1. Information Collection and Analysis (Total restorations: $19,786,000
   a. Resource Information $15,812,000
   (restore Oxford Laboratory, restore reductions of Sandy Hook Laboratory, resource surveys, habitat protection, salmon and aquaculture research, and other items in this category).

   b. Fisheries Industry Information $3,000,000
   (This restoration should include the marine recreational fisheries survey, which would be drastically reduced in the proposed budget).

   c. Information Analyses and Dissemination $974,000
   (Beaufort, NC; Sandy Hook, NJ; Tiburon, CA)

2. Conservation and Management Operations (Total restoration: $18,878,000)
   a. Fisheries Management Programs $17,454,000
   (restore Management Council funding ($4.3 million to the FY 85 total of $7.5 million); Columbia River hatchery operations ($9.954 million); salmon programs ($3.5 million).

b. Protected Species Management
(Support proposed level funding)

c. Habitat Conservation $1,424,000
(restore funding for environmental impact analyses and associated mitigation work, Sec. 404 permit activities).

d. Enforcement and Surveillance
(Support proposed level funding)

3. State and Industry Programs (Total restoration: $15,227,000)
a. Grants to State ($8.2 million)
(Increase P.L. 88-209 (commercial fisheries grants to states) to authorize level of $5 million, restore P.L. 89-304 (anadromous grants to states) to $3.2 million; fund P.L. 89-304 Section 7 (Emergency Striped Bass Act) at authorized $1.0 million).

b. Fisheries Development Program $8.027 million
(Restore fisheries development research and services program; restore fish inspection program support) (restore specifically the Gloucester, MA lab)

4. Other Accounts
(We also support the restorations in this category, particularly the S-K Development Grants and Fisheries Loan Fund).

As mentioned earlier, "savings" due to the A-76 process, in-grade reductions, administrative services reductions, etc. should be restored where it is probable that the savings will not in reality occur.

Included in these recommended restorations are the following NMFS facilities which would be closed in the FY 85 budget:

Gloucester Lab	(Gloucester, MA)
Oxford Lab	(Oxford, MD)
National Fisheries Engineering Lab	(Bay St. Louis, MS)
Galveston Lab	(Galveston, TX)
Tiburon Lab	(Tiburon, CA)

Manchester Station (WA), Little Port Walter Station (AK), Cook Station (WA), Pasco Station (WA), and Auke Bay Station (AK)

We also recommend restoration of the services and in many cases crippling reductions proposed for the following facilities:

Milford Lab	(Milford, CT)
Sandy Hook Lab	(Sandy Hook, NJ)
Beaufort Lab	(Beaufort, NC)
Newport Lab	(Newport, OR)
Auke Bay Lab	(Auke Bay, AK)
Portland Office	(Portland, OR)
Charleston Lab	(Charleston, SC)

Justification for Recommended Restorations

1. Restoration of the Commercial Fisheries Research and Development Act (P.L. 88-309) to the authorized level of $5.0 million is vital since it plays an extremely important role in the fisheries management programs of all coastal states. This program was reduced to $4 million in 1983 with the expectation that the Breaux-Forsythe amendment would restrict distribution of funds to the coastal states. When this amendment failed, the reduced funding was distributed over all 50 states, necessitating cuts in many state programs. Through the 88-309 program, the coastal states have been able to establish a resource data base vital to the establishment of species management programs within interstate territorial waters, as well as providing much needed data for developing management plans for the Fishery Conservation Zone.

2. Anadromous Fisheries (P.L. 89-304) grants to the states, form the backbone of many state programs for the management of our valuable salmonid, striped bass and river herring resources. These interstate resources are important both economically and socially to all coastal states, and are in many instances in a state of severe depletion. Continued federal help is urgently needed to conduct the activities that may lead to their restoration.

3. Emergency Striped Bass (Section 7, P.L. 89-304). The striped bass resource on the Atlantic Coast continued to decline, with the 1983 recruitment index among the lowest ever recorded. This program has made notable progress, but has fallen short of its original goals because of reduced funding in the past. We urge Congress to provide full funding to this program so that this important resource can be restored to historic levels of abundance.

4. Regional Fisheries Management Councils created by Magnuson Fisheries Conservation and Management Act have produced management plans which have restored some of our Fishery Conservation Zone resources to historic levels after their depletion by foreign fleets. Their task is not complete and continued funding is necessary to allow them to continue the development of plans for additional species and to continually update existing plans. Reduced funding will inevitably lead to reduced effectiveness of the Councils and eventual deterioration of fishery resources and the fisheries that depend upon them. Results from the Fisheries Conservation and Management Act have been substantiated in recent years. Examples of success include joint ventures and export programs for domestically processed fish with foreign nations, which have aided not only our domestic fisheries industry, but have had a positive impact on our international trade balance.

5. Resource Information and Statistics Programs. Management of resource depends upon current, accurate information. The Councils cannot produce new plans or update existing plans without basic information on the commercial and recreational harvests, stock assessments and biological background information. The commercial and recreational data collection programs and the stock assessment activities at the major laboratories are already funded at the absolute minimum. Any further cuts would render them ineffective and jeopardize the entire effort of developing and upgrading fisheries management plans.

6. Habitat Programs. No resource can exist, much less produce a harvestable surplus, without reasonably suitable habitat. NMFS habitat programs are an important part of the fishery management picture. In 1983, the NMFS singled out habitat protection as one of their highest priority programs. Recommended reductions in this program are completely contrary to established policy.

7. Interstate Fisheries Management Program. This modestly funded program has enabled the states and NMFS to jointly draw up fishery management plans for a number of interjurisdictional fisheries resources covering the range of these resources. Plans for northern lobster, surf clam, northern shrimp, Atlantic menhaden, summer flounder and striped bass have been completed under this program which predated the Magnuson Act. Plans for lobster and surf clams have been turned over to the appropriate Council and the summer , flounder plan development was funded by the Mid-Atlantic Council but produced by the ISFMP. This program has been funded by Administrative funds from the NMFS Regional Offices. Any substantial cuts in the NMFS budget would almost certainly result in the demise of this program, which has produced so much with such modest funding. Plans are presently in preparation for weakfish, shad and river herring. These plans must be updated in light of recent statistics, stock assessments and research on management tools such as the ongoing Atlantic menhaden mesh size study which will produce a means of protecting young menhaden from premature harvest.

Interjurisdictional management through the Federal-State program has been one of the most cost effective programs ever undertaken by the NMFS. Most importantly, it has created a cooperative approach to interstate territorial fisheries management wherein state and federal agencies are working together in managing migratory fish stocks of great economic and social importance to the coastal states and the nation.

8. Columbia River Hatchery Program. The IAFWA questions the wisdom of the Administration's plan to transfer the Columbia River hatchery program to the Bonneville Power Administration, to be paid for by increased rates to power users. This program, so essential to the Columbia River salmon resource, should continue to be funded and operated by the NMFS as in the past.

In summary, the IAFWA would like to point out that the result of a successful fisheries management program, i.e., a healthy commercial and recreational fishing industry, can only be achieved and maintained if we have adequate materials, tools and machinery. The materials are the resource and its habitat and the fishery. The tools are the knowledge and data concerning the resource and its habitat and fishery, including the biological, statistical, ecological, social and economic aspects. All of these must be available and they are only available through the programs of the NMFS and the states. With them, the machinery consisting of the Fishery Management Councils and the Interstate Fishery Management Program can produce plans for the wise utilization of the resources.

ATLANTIC STATES MARINE FISHERIES COMMISSION

STATEMENT OF JIM McCALLUM

Senator RUDMAN. Mr. McCallum.

Mr. McCALLUM. Good morning, Senator Rudman and Senator Hatfield. I am speaking this morning on behalf of the Atlantic States Marine Fisheries Commission which represents the 24 coastal States. Several of the fishery management councils have also asked me to represent some of their interests. I will summarize my statement briefly and will submit my written testimony, as you suggested.

I agree completely with what Mr. Corell and Mr. Cookingham said so far. NMFS has a significant history of State-Federal coordination and commitment to carry out effective fishery management and development programs. This year we are all, again, completely dismayed. For the third year in a row, the administration proposed a nearly 50-percent cut in the fisheries budget. It means essentially the complete abrogation of the Federal role in fisheries and Federal responsibility in fisheries. It would cripple the efforts the States' industries have funded in the fisheries area, simply to show the administration places short-sighted economies far above the long-term values to the Nation that will be realized through wise management of the fisheries.

The reductions are so encompassing that if any significant portion of the reductions are accepted, NMFS will not be able to retain a capability in any of its other areas or basic responsibilities with the States in the private sector. NMFS must remain a viable Federal entity. Toward this end, our basic recommendation is that Congress restore funding for NMFS and other fishery-related NOAA programs we don't have time to go into, to at least current levels to the areas before reduction.

INTERDEPENDENCY OF PROGRAMS

I want to stress many of the programs are interdependent. A major cut really affects all of our organizations, all fisheries programs, and the information that we will provide further will provide details on this.

My main point this morning is on the three programs that have just been mentioned, I will say more about them. These programs have been mandated by Congress and require Federal-State cooperative activity to achieve valuable shared objectives. It is not a very one-sided thing. The States are involved.

These programs have worked with demonstrated cost-effectiveness and they work on behalf of conservation of the Nation's fishery resources.

The Commercial Fisheries Research and Development Act Russ has talked about, was cut from the authorized level of $5 million last year to $4 million this current year, and we urge strongly it be put back to the authorized level of $5 million.

The Anadromous Fish Conservation Act affects salmon, striped bass, river herrings, and we recommend that be funded also at the fully authorized level of $3.2 million instead of zero as the administration proposes. We, of course, because of the condition of the striped bass resources industries, emphasize that very strongly. The emergency striped bass study, which has been going on for a year or two, has been funded only at $400,000. Because of this, there is a complexity of problems. The study really has not been completed. It is exploring the causes of the decline of the populations. We recommend these be funded once more for $1 million to carry on some very necessary research.

Regional fishery management councils also simply could not function with the $3.2 million budget. They should be funded back at $7.5 million, which is quite a large cut over previous years because of the impact of inflation and their own economies.

I will stop at that. I thank you very much for your previous support and for the opportunity to talk today.

[The prepared statement of Jim McCallum follows:]

Atlantic States Marine Fisheries Commission

Joint Statement of:

Irwin M. Alperin, Executive Director
Atlantic States Marine Fisheries Commission

Lawrence D. Six, Executive Director
Pacific Marine Fisheries Commission

Larry B. Simpson, Executive Director
Gulf States Marine Fisheries Commission

Mr. Chairman, Members of the Committee:

I want to thank you on behalf of the three interstate Marine Fisheries Commissions, representing the 24 Atlantic, Pacific and Gulf coastal member states, for this opportunity to represent their interests before your Subcommittee today.

Summary

As organizations committed to balanced fishery conservation and management, we have a strong interest in programs of the National Marine Fisheries Service (NMFS). NMFS programs have a significant history of effective state-federal coordination and cooperation. These programs have long been cornerstones in the three way cooperative interaction between the Federal government, the states, and the private sector in the commitment to maintain effective fishery management and development programs for fishery resources of national interest and benefit. In short, they have very special significance for every coastal state and the NMFS research, management, and development capabilities must be maintained. Thus, the three interstate marine fisheries commissions and their 24 member states strongly urge Congressional restoration of past years' levels of funding for the NMFS and for other fisheries-related programs of NOAA. We particularly want to stress the importance of full funding for the cooperative state-federal programs administered through NMFS; the Commercial Fisheries Research and Development Act, the Anadromous Fisheries Conservation Act, and funding for the Regional Fishery Management Councils under the Magnuson Fishery Conservation and Management Act.

Discussion

Dollars expended for these fishery programs should be viewed as investments that will yield a continuing flow of economic and social benefits, because fishery resources are biologically renewable if wisely managed. Improved productivity of existing fisheries, and development of U.S. capability to harvest, process, and market presently underutilized fishery resources will return major economic benefits to the U.S. fishing industry and the nation. This is particularly true in the economies of coastal communities which depend largely on the fishing industry for their livelihood, and which would probably have to fall back on costly state and federal social programs should the fisheries fail because of the lack of resource information or wise management. Also, as the U.S. fishing industry fully implements the preferential right to resources within the fishery conservation zone, the U.S. can achieve a significant reduction in the negative trade balance by reducing dependence on imported fish products.

Our analysis of this Fiscal 1985 budget forces us to conclude that the Department of Commerce and OMB fail to comprehend the major and continuing benefits to the nation and its economy that are realized under proper management and development of its renewable marine and anadromous fisheries resources. We are dismayed that for the fourth year in a row the OMB and the Department of Commerce are proposing cuts of this magnitude with little serious regard for the logic or consequences of their proposals - a 43% cut from the Fiscal 1984 levels of funding which were restored to the NMFS budget last year by agreement of both Houses of Congress. These Administration reductions in funding for marine fisheries programs are particularly incomprehensible when contrasted with the budget proposals of most other resources agencies, in the Departments of Interior and Agriculture, which are given either modest increases or only nominal reductions in the Administration's Fiscal 1985 budget.

These reductions proposed by the Administration are so all-encompassing and deeply crippling that if any significant portion of the reductions are accepted, NMFS will not retain an adequate capability in any of the major activities it currently undertakes in its partnership with the states and private sector, and in fulfilling its basic mandates involving wise use and development of the nation's fishery resources. NMFS research, management and development capability must be maintained as a viable federal entity and toward this end, we strongly urge that Congress restore funding for NMFS and other fishery-related NOAA programs to at least current levels in each of the areas proposed for reduction. Concurrent with restoration of funding must be restoration of personnel ceilings required to implement the programs, and restoration of the research facilities targeted for closure or major reduction under the Administration proposals.

It would be hard to overstate the importance and value to our member coastal states of the critical NMFS programs in such major areas as resource information, fisheries industry information, information analysis and dissemination, habitat conservation, enforcement, fisheries management, and fisheries development. We are submitting additional information on many of NMFS' programs for the record.

In this statement today, we would like to stress the importance of three Congressionally-mandated programs that require State-Federal cooperative funding and manpower support, and effective interaction to achieve shared objectives. Sustained Federal funding for the two State grant-in-aid programs (Commercial Fisheries Research and Development Act and Anadromous Fish Conservation Act) will continue Federal cost-sharing with the States of projects of demonstrated cost-effectiveness for improved conservation and management of marine and anadromous fisheries resources. These projects have provided a significant component of the management information required for management plan development and implementation by the Regional Fishery Management Councils established by the Congress under the Magnuson Fishery Conservation and Management Act of 1976. These programs continue to provide the data flow essential for periodic update and revision of regional fisheries management plans by the Regional Councils and by the States and Federal government for cooperative management of territorial seas fisheries not subject to Regional Council jurisdiction. For closely related reasons, it is imperative that full-funding (at the FY 1983 level of $7.5 million) be restored for operational and programmatic support of the Regional Fishery Management Councils.

We specifically urge full funding of the cooperative State-Federal programs administered through NMFS, as follows:

Commercial Fisheries Research and Development Act (P.L. 88-309)	$5.0 million
Anadromous Fish Conservation Act (P.L.89-304) (including Section 7 Emergency Striped Bass Study funds, as authorized at $1 million)	$4.2 million
Regional Fishery Management Councils	$7.5 million

Commercial Fisheries Research and Development Act (P.L. 88-309)
(+ $5 million)

The original purpose of this Act was to provide 75%-25% Federal-State cost-sharing which would "provide coordinated aid to the several States in development of their commercial fisheries by stimulating research and development at the local level ..." Since the advent of MFCMA, many coastal States have shaped their P.L. 88-309 projects to address research and management problems of interjurisdictional fisheries, managed either under Regional Council plans or through other inter-State and State-Federal cooperative programs. Examples include groundfish, shrimp, and crab stock and fishery assessments and data reporting (California, Oregon, Washington), king and tanner crab and pandalid shrimp studies (Alaska), and coastal fishery resource assessments and related studies (Massachusetts, Connecticut, Alabama, Mississippi, Texas). Attachment A reproduces the listing provided last year to illustrate the scope of State programs supported under this Act, most of which continued through 1983.

Continuing these cooperatively funded and staffed programs is essential to properly support MFCMA National Standard 2, that "conservation and management measures shall be based upon the best scientific information available." Clearly that Standard pre-supposes a continued effort to improve and extend the quality of the management information base, which is the principle thrust of programs supported under the Commercial Fisheries Research and Development Act.

We strongly urge restoration of funding for these programs to the 1982 level of $5 million. In FY 1983, funding was reduced to $4 million under the expectation that the Breaux-Forsythe amendment, H.R. 3942, would take effect, redistributing the funds to the coastal States only. That bill passed the House, but was never addressed in the Senate. As a result, funds were reduced by $1 million, but still to be distributed among all 50 States and the Territories. Changes in landed values of catches have created further reductions in funds for some coastal States. For example, Oregon's 1984 allocation is only 50% of the 1982 share. These losses have occurred over a period of increasing demands on the States to monitor, collect data and conduct relevant research on interjurisdictional fisheries. Since the redistribution of funds envisioned on the Breaux-Forsythe amendment was not approved, we urge restoration to the 1982 level ($5 M) of funding for the essential programs under this Act. To illustrate the values to be realized from this restoration, Attachment B identifies representative programs proposed for funding if provided this restoration (e.g., expanded squid resource assessments to encourage a developing fishery off Oregon, and expanded groundfish age determination studies essential to Pacific coast management of key groundfish stocks).

Anadromous Fish Conservation Act (P.L. 89-304) (+ $4.2 million)

State-Federal cooperatively funded and supported programs under this Act provide much of the data base required for regional conservation and management of anadromous fish (salmon, striped bass, river herrings, etc.). Given life cycles traversing inland waters, estuaries, and territorial seas of the States, and in many cases the Federally controlled waters of the FCZ and of neighboring nations, these cooperative programs are clearly essential. Level-funding for these general programs would require $3.2 million.

Emergency Striped Bass Study (Section 7, Anadromous Fish Conservation Act)

The Commissions are deeply concerned about the status of the anadromous striped bass resource. The Administration's budget for the NMFS includes no funds for any section of P.L. 89-304, including Section 7 which is commonly known as the Emergency Striped Bass Study. We strongly urge that funds be continued for support of the Emergency Striped Bass Program.

Although the Study was authorized at a level of $1 million, only $400,000 was appropriated through FY 1984 to assess the status of striped bass stocks, to explore the causes of the precipitous, persistent decline in abundance of this popular species, and to evaluate the economic impact that this decline might have on coastal communities. Many institutions have coordinated their studies with those of other state and federal agencies to attempt to provide the information base necessary to understand the species and develop appropriate approaches to management. The Atlantic States Marine Fisheries Commission has also developed a management plan for the conservation of the striped bass resource with provisions for coordinating with and incorporating significant findings of the Study.

Because of the complexity of the problem, the study of which has been impeded by appropriations levels which have been substantially lower than the original planning and authorization levels in recent years, the Atlantic states program has not been completed within the time frame originally anticipated.

Research to date has not been able to conclusively demonstrate a particular cause or set of causes for the decline of striped bass but it has revealed the inadequacy of present knowledge of the species, and more importantly, has pointed out new directions from which many of the participants believe answers will be forthcoming. Several major areas of investigation that should not be abandoned at the current levels of completion are (1) continuing to monitor juvenile abundance, fishing mortality, and characteristics of the spawning populations that comprise the coastal stock and (2) continuing to investigate several promising potential causes for the decline in production of the coastal stock.

In short, a good beginning has been made. Continued funding of the Emergency Striped Bass Program at the full authorized level of $1 million is essential to permit completion of this work and to implement parallel efforts on the Gulf Coast. We are firm in the belief that this cooperative effort should not abruptly terminate for lack of funding now that success is in sight.

Regional Fishery Management Councils

The fishery management councils are responsible for preparing management plans for fisheries in the 3-to-200 mile fishery conservation zone. Every coastal state has voting membership on these councils, and places a high value on the councils as the forum for communicating state interests and cooperating in interjurisdictional fishery management decisions. Also, management decisions on the part of states and interstate commissions have become more interdependent with council decisions in recent years.

The Administration justification that major cuts can be made in Council allowances because very few new plans must be developed is totally without merit. Plans for a number of important fisheries are still in the development and implementation stages. Also, the councils' responsibilities are not completed when a management plan has been prepared. Management plans and the fisheries they address are dynamic and change constantly in all respects - status of stocks, levels of fishing effort, socio-economics of the fisheries and the communities that depend on them, etc. The councils must remain capable of monitoring, amending and improving fishery management plans as conditions and demands change. Councils require sustained funding and support from both federal and state sources to maintain this capability.

If council funding is reduced, the state and federal-state programs will be directly affected and the councils will not be able to fulfill the dynamic planning functions specified by the Congress in the Fishery Conservation and Management Act. For these reasons, the Commissions strongly urge Congress to restore council funding to the FY 1983 level of $7.5 milion.

Conclusion

Thank you for the opportunity to present the views of the 3 Marine Fisheries Commissions and their 24 member coastal states on the National Marine Fisheries Service budget for Fiscal 1985. We will look forward to working with you and your Committee at any time on these and other issues that affect the coastal states and the nation's fisheries.

NWF—FISHERIES AND WILDLIFE DIVISION

STATEMENT OF RUDOLPH ROSEN

Senator RUDMAN. Dr. Rosen, I guess you are the clean-up person. I want to add that, although your time seems very limited, your testimony is very valuable. The staff and members of the committee will certainly look at it very carefully as we reach the point later in the year when we make decisions in these areas. The data you supply to these areas is very important. I don't want you to feel that limitations on your time render your testimony unimportant. It is quite important. Otherwise we wouldn't have asked you to come down.

Mr. ROSEN. Senator, my name is Rudolph Rosen and I am a fisheries specialist for the National Wildlife Federation's Fisheries and Wildlife Division, the Nation's largest conservation organization. We thank you for the opportunity to express our extreme concern over the fiscal year 1985 budget of the National Marine Fisheries Service, or the NMFS. We, too, protest in the strongest terms possible the administration's intent to slash 37 percent from the NMFS budget. We are fully supportive of the statements presented this morning.

EFFECT OF BUDGET REDUCTIONS ON AGENCY

Our concern is over the continued integrity of the agency itself. The NMFS cannot sustain the cuts proposed without altering its mission. The proposed budget disregards the intent of Congress and assigned agency responsibility for administering fishery programs required by Federal regulations. It would circumvent the agency's internal policy planning and abandon the trust put in the agency by the American people to oversee our valuable fisheries.

RECOMMENDATIONS

Mr. Chairman, I would like to direct your attention to a summary that we are recommending that is included at the end of our testimony, programs of greatest importance to our organization. "State and Industry Assistance Grants to States" where we urge restoring the fiscal year 1984 base level funding for section 4 of the program and a $1 million appropriation to NMFS to fund fiscal year 1985 studies for section 7 of the act, commonly known as the emergency striped bass study.

Our members also recommend funding for regional fishery management councils at the fiscal year 1985 base levels, but habitat work is our members' greatest concern. Habitat research and habitat conservation are two critical programs that recently received very high priority within the agency. On November 25, 1983, NMFS issued a habitat conservation policy which integrates and elevates habitat considerations throughout the agency.

For example, the policy encourages greater incorporation of habitat needs and development of fishery management plans for fisheries in Federal waters. Habitat programs of the agency have more potential to maintain and enhance the Nation's fisheries than any other NMFS activity. The program is responsible for maintenance or law to fisheries habitat, the ultimate bottom line for our national commercial and recreational fishing industries.

Greater, not lower, funding will be needed to implement that policy. We are recommending $5.54 million be restored to the habitat research program, a request that is $1 million above the fiscal year 1985 base, reflecting our estimate of the initial amount needed to implement research required by the policy.

For the habitat conservation program, we recommend adding $2.95 million, which is $1.5 million above the fiscal year 1985 base. This increase was recently recommended by the advisory body of NMFS, the Marine Fisheries Advisory Committee, as necessary to implement the habitat conservation policy.

We thank you for allowing us the opportunity to express our views.

[The prepared statement of Rudolph Rosen follows:]

NATIONAL WILDLIFE FEDERATION

PREPARED STATEMENT OF RUDOLPH A. ROSEN, PH.D.

FISHERIES SPECIALIST, FISH AND WILDLIFE DIVISION

Mr. Chairman, my name is Rudolph Rosen, and I am a fisheries specialist for the National Wildlife Federation's (NWF), Fisheries and Wildlife Division. Thank you for the opportunity to express the NWF's extreme concern over the Fiscal Year 1985 (FY 85) budget of the National Marine Fisheries Service (NMFS), of the National Oceanic and Atmospheric Administration (NOAA).

The NWF is the nation's largest not-for-profit conservation-education organization with over 4 million members and supporters throughout the U.S. and in 51 affiliated state- and territory-wide organizations. Angler and commercial fishing groups are included among our list of affiliated organizations. The NWF consistently has expressed concern over funding important marine and anadromous fisheries programs and staunchly has supported the scientific management of fishery resources within our 200-mile fishery conservation zone.

The NWF protests in the strongest terms possible the Administration's intent to slash 37% from the NMFS FY 85 base budget for operations, research, and facilities. Our deepest concern is over the continued integrity of the agency. The NMFS could not sustain the cuts proposed without drastically altering its mission. The Administration's proposal disregards the intent of Congress in assigning the agency responsibility for administering programs required by federal legislation, circumvents the agency's own internal policy planning, and abandons the basic trust provided the agency by the American people to oversee our fishery resources.

Last year, NWF came before Congress to protest severe budget cuts proposed for the NMFS. We asked you to provide funding at levels above those proposed by the Administration in nearly every NMFS program. This year, again, we come before you with the same request. The same proposed cuts you refused to agree with for the FY 84 budget are now rolled over to the new request by the Administration for FY 85. We hope you will again see the value of these important fishery programs and provide continuation of the base level funding. But, as has been true for many years, inflation has continued to erode the "value" of money funding all programs.

Our specific requests for NMFS funding are summarized on the last two pages of these comments. Our justifications for requesting funding levels above those recommended by the Administration are detailed below.

I. INFORMATION COLLECTION AND ANALYSIS

A. Resource Information

1. Resource Surveys

Budget reductions in the Resource Survey Program are recommended by the Administration in spite of increased need for information on which to base fishery management planning. For example, in the Northwest, salmon managers now are required to have much more detailed information to account for harvest of wild stocks of salmon in developing Fishery Management Plans as mandated by recent amendments (P.L. 97-453) to the Fishery Conservation and Management Act (FCMA). In the Northeast, survey work on marine ecosystem and environmental pollution that is essential to implementing Fishery Management Plans would be eliminated .

In addition to funding and personnel losses in the survey program, eight NOAA vessels dedicated to fisheries research and stock assessment would be deactivated.

Eliminating the agency's fishery research ship capability ignores the consequences of having to rely on the availability and condition of privately-owned vessels to collect crucial biological data on fish, plankton, and benthos, and monitor physical and chemical conditions. The Administration has not followed its own procedures as specified in the Office of Management and Budget's Circular A-76 for evaluating the ability for private enterprise to conduct fishery surveys or the cost to the taxpayer in terms of dollars and reliability of information. Contracting the use of commercial fishing vessels to conduct survey work disregards the need to continue standardized surveys and the special shipboard requirements for scientific research that make NOAA's vessels research platforms rather than just fishing boats.

The NWF recommends restoring $1.078 million to the Fishery Resource Survey Program. We also urge continued maintenance and use of the NOAA research fleet.

2. Protected Species

The NWF recommends restoring $1.18 million to the Protected Species Program. Restoration of these funds would allow continued refinement of sea turtle excluder devices for trawls; commercial fishermen just now are beginning to see advantages to the use of this equipment as well as benefits in helping restore species of sea turtles.

3. Habitat Research

The NWF considers habitat research to be among the most important functions of the NMFS. It is one of three programs that directly affect the agency's ability to evaluate and do something about the effects of wetlands loss, pollution, and other forms of environmental degradation that affect fishery production. Obviously, our near- and off-shore fisheries depend directly and indirectly on quality and quantity of habitat. If we continue to lose habitat we will continue to lose a wide variety of fisheries such as has happened to the American shad fishery in Chesapeake Bay.

In spite of past losses of fisheries, directly attributable in part to habitat degradation, the Administration proposes to cut in half both funding and personnel in the Habitat Research Program. These decreases, if allowed, would virtually eliminate the program. Major projects in the Northeast, for example at the Sandy Hook, New Jersey, laboratory on near-shore ecosystems and environmental research in Long Island Sound would cease. All research at the Oxford Lab in Maryland would end, including work on fish and shellfish disease and environmental stress. The Northwest too would be effected, losing funding for essential ecosystem modeling work and other habitat investigations.

The Administration cuts also would harm internal NMFS policy planning on habitat protection. On 25 November 1983, after more than one year of planning and public evaluation, NMFS issued a Habitat Conservation Policy which integrated and elevated habitat considerations throughout the agency. The policy encourages greater incorporation of habitat needs in fishery management planning under the FCMA. The policy also emphasizes that habitat research and conservation are a high priority for the agency. Greater, not lower funding will be needed for habitat research if the policy is to be implemented effectively, especially if the Regional Fishery Management Councils are to follow the mandate of the new policy.

The continued success of our nation's commercial and recreational fisheries, as well as the public's confidence in the quality of fishery products depends upon the valuable research conducted under this program. The NWF recommends that $5.543 million be restored to the habitat research program and that the Oxford, Maryland, lab be retained. Our request is $1 million above the FY 85 base which reflects our estimate of the additional amount needed to provide increased research to implement the new Habitat Policy.

4. Salmon Research

The Administration proposes ending research on Atlantic salmon and the effects of Columbia River dams on salmon resources. On the Columbia River, many salmon stocks are declining because of habitat loss due to water resource development, pollution, and poor forestry practices. The government's responsibility to aid in fisheries development and restoration on the Columbia River, which was defined in the Mitchell Act of 1938, would be eliminated. In addition, NMFS needs greater information on the cumulative impacts of dams on salmon in the Northwest. The need for this information has been demonstrated in recent disputes between NMFS and the Federal Energy Regulatory Commission over extensive hydropower development proposed on salmon and steelhead rivers in the Northwest.

The NWF requests that Congress restore $365,000 to the Salmon Research Program.

5. Aquaculture Research and Development

The Federal government would cast off responsibility for the infant mariculture industry by eliminating the Aquaculture Program. High financial risk and highly technical fish and shellfish culture projects supposedly would be continued by private industry, the states, or other federal agencies. It is unlikely the program could be continued elsewhere since many mariculture ventures are small and risky enough without having to conduct the basic research required to gear up the industry. In addition to aquaculture development, the Kemp's ridley sea turtle Head Start Program which has been highly successful in establishing cooperative work on the species with Mexico would be eliminated. The Galveston laboratory also would be closed.

The NWF recommends that $5.356 million in funding be restored to the Aquaculture Program and that the Galveston Lab, including the Lab's Kemp's ridley sea turtle Head Start Program be retained.

6. Marine Recreational Fisheries Program

The proposed budget would eliminate the Marine Recreational Fisheries Program and close the Tiberon, California, Laboratory. Other than funding for the Marine Recreational Fishing Survey (which also would be cut by the Administration's proposal) direct programmatic monies in the NMFS budget can not be identified as directly benefiting anglers, yet there are many more recreational fishermen than commercial fishermen and the economic benefits that result from marine recreational fishing are greater than those from commercial fishing.

Over one year ago, reorganization of the NMFS was to have spread responsibility for administering the Marine Recreational Fishing Program throughout the agency. The NWF recognized the potential benefit of such reorganization and hoped to see positive results of the new "NMFS recreational fishing policy." The need to direct monies toward research and other activities of specific benefit to the angler remains a high priority. The NWF strongly recommends that Congress direct the NMFS to make every effort to identify projects of direct value to anglers and to fund such projects at appropriate levels. Therefore, we ask that at a minimum, Congress restore the $918,000 requested cut by the Administration from the Marine Recreational Fisheries Program.

7. Oceanography Survey Technology

The NWF recommends restoring $922,000 to the Oceanography and Survey Technology Program and also recommends maintaining the Bay St. Louis, Mississippi, Laboratory. These programs provide research needed to integrate high tech satellite imagery with stock prediction and other survey techniques. Development of such techniques soon may provide fishery managers with highly accurate and more economical means by which to manage fisheries.

8. Salmon Treaty Research

Salmon stock assessment and research to support U.S. negotiations with Canada over salmon interceptions is proposed for elimination. Negotiations on a framework agreement to settle the continued dispute over interceptions are in the final phases. Yet even upon completion of negotiations, continued cooperative management of this resource demands strong U.S. participation in research on and monitoring of these fish stocks. The U.S. cannot in good faith proceed with its treaty obligations without continued work on the salmon treaty program. A wait-and-see attitude as the Administration proposes cannot be the U.S. position.

The NWF recommends that Congress restore $1.45 million to the Salmon Treaty Research Program.

B. Fisheries Industry Information

1. Fishery Statistics

Proposed FY 85 budget reductions to the collection and analysis of recreational and commercial fishing information are of major concern to the NWF. Specifically, we are interested in cuts proposed for the Marine Recreational Fishing Survey base budget of $1.8 million. We understand the budget would be cut by $621,000. The Marine Recreational Fishing Survey largely is contracted to private firms. And, due to inflation and continued level funding of the Recreational Fishing Survey for the past several years, an additional allocation of $50,000 to $80,000 probably will be needed to cover costs anticipated for the FY 85 survey.

Little is known about the marine-fish angler but present data indicates this sector of NMFS responsibility is of major and growing importance. Yet the Administration's budget request would largely ignore the needs of the 15 million marine-fish anglers who take about 30% of the U.S. catch of finfish.

The NWF urges Congress to reject the Administration's proposed cut to the recreational fishing survey budget as well as the cuts proposed for fisheries statistics collected on commercial fishing. We recommend restoring $3 million to this program and allocating sufficient funds to cover contract costs for the FY 85 Marine Recreational Fishing Survey.

C. Information Analysis and Dissemination

1. Nearshore Research

Cuts proposed for nearshore ecosystem analysis would reduce funding for the Sandy Hook Laboratory in New Jersey by 63% (24 of 67 positions would be lost), and reduce funding for the Beaufort, North Carolina, laboratory by 55% (19 of 48 positions would be lost). Gutting these labs would destroy efforts to understand the effects of nearshore contaminants on marine resources and further our understanding of nearshore ecological processes. Such information is vitally needed to implement effective habitat programs and insure the public's safety against contamination in the seafood sold in restaurants and on grocery store shelves. The NWF recommends restoring $738,000 to these programs and maintaining the Sandy Hook and Beaufort Laboratories at full staffing and funding levels.

2. Stock Abundance Prediction

The NWF recommends restoring the $236,000 cut to this program which would eliminate all funds of the Tiburon Laboratory in California. Information collected in this program is needed to improve predicting the abundance of fish and their distribution on the West Coast.

II. CONSERVATION AND MANAGEMENT

A. Fisheries Management

1. Regional Fishery Management Councils

The Administration's proposed 50% reduction in funding for the Regional Councils clearly ignores the importance of the Councils in managing fisheries in our Fishery Conservation Zone under FCMA. In addition, the Administration proposes a 50% reduction in formal public meetings of the Councils which would strongly curtail the public's participation in decision making on fishery resource issues.

The Regional Councils oversee management of a commercial and recreational catch worth billions of dollars. We feel it is unjustifiable to jeopardize this resource for a savings of a mere $4 million. Yet this is what the Administration does by proposing a 56% cut to the Regional Council Budget. Recently, the mid-Atlantic Council reported that its 1983 administrative expenditures amounted to only 1.13% of the dockside value of fish caught actually under Council management. In addition, the Council reported that, in actual dollars, Council expenditures increased by only 21% between 1978 and 1983, and when these expenditures are adjusted for inflation, spending actually decreased by 21% during that period.

Budget reductions to the Councils seem especially unwise at this time as more fisheries and more complex fisheries come under Council management authority. And, as the excess of previous exploitation of our fisheries by foreign and U.S. fleets are corrected, and the value of fishery resources increase, a commensurate commitment to continue effective management seems mandated. Simply cutting back on the number of fisheries to manage as has been proposed rejects the purpose of our new fisheries management laws -- to conserve fisheries by maintaining fishing at levels appropriate to obtain an optimal yield. The role of the councils must be active and aggressive if we are to achieve the goals Congress laid out in FCMA.

The NWF recommends that $4 million be restored to the Regional Fishery Management Councils.

2. Columbia River Program

The Administration has proposed providing no funds for the Columbia River Fisheries Development Program. Abandonment of the program was proposed first in the FY 82 budget as a three-year phaseout with reduced funding levels proposed for FYs 82, 83, and 84. Abandonment of the program would totally withdraw NMFS support for 24 hatcheries, affecting an estimated 120 million salmon and steelhead produced annually, and would end funding for fisheries enhancement work on the effects of dams, maintenance of over 600 fish screens at water diversions, and operation and maintenance of 86 fish passage facilities.

The Columbia River Program was initiated by the Mitchell Act of 1938 to mitigate the impacts to fisheries of the large federal hydroelectric and other water projects of the Columbia River Basin. Federal responsibility to continue this program has not diminished since the program began. Presently the program accounts for about 75% by number and over 50% by weight of all Columbia River Salmon releases. In addition, habitat improved by the program has resulted in major benefits to salmon fishery resources.

The Administration proposes funding the program by assessing consumers of power generated by the hydroelectric dams of the Bonneville Power Administration. Rate payers would be assessed about 3 mills per kilowatt hour generated to pay for hatchery operations. No draft legislation has been introduced in Congress yet. But, we are fearful that proposed legislation might transfer management responsibility for fisheries under the Columbia River Program to the Department of Energy, a proposal we find unacceptable. In addition, we are concerned that the proposal might diminish the overall fishery conservation program provided to the Northwest by both the Columbia River Program and the Fish and Wildlife Program developed under the Northwest Power Planning Act. Any proposal to fund the Columbia River Program must include provision to operate fish screens and fish passage facilities now included in the Program.

In lieu of an acceptable alternative funding source, NWF encourages restoring the total base level funding of $9.954 million to the Columbia River Program.

3. Salmon and Steelhead Enhancement

The NWF recommends restoring $1 million to the Salmon and Steelhead Enhancement Program which the Administration recommends eliminating. Continued problems with managing steelhead and salmon resources in the Northwest confound attempts to effectively conserve these important fishery resources.

4. Habitat Conservation

The proposed FY 85 budget would reduce the Habitat Conservation Program's funding and personnel by 30% and 20%, respectively. Habitat Conservation is the NMFS program that provides environmental assessment and impact analysis services to fulfill NMFS consultation requirements mandated by Congress through legislation such as the Fish and Wildlife Coordination Act and the Clean Water Act. No other NMFS program has more potential to maintain and enhance our nation's fisheries. NMFS habitat conservation activities are directly responsible for maintenance or loss of fisheries habitat -- the ultimate bottom line for our nation's commercial and recreational fishing industries.

Cuts to this program again harm internal NMFS policy planning in the area of habitat conservation. These cuts would make it virtually impossible to implement the newly adopted Habitat Conservation Policy. Especially since present activities are substantially below those needed to effectively implement what we believe to be the nation's habitat conservation requirements. For example, in the Southeast, 13 biologists presently are responsible for providing comments on over 6,000 permit applications from developers proposing various projects each year. During a single year starting October 1980, the Southeast region's Habitat Conservation Program reviewed 6,399 permit applications. On over 73% of the applications no comments were made primarily because initial examination of the permit indicated impact probably would be minimal. Consultants were contracted to collect data for 1,380 (22%) permit applications and about 5% of the applications could not be assessed due to various reasons. The 1,380 permit applications that were reviewed by NMFS staff proposed filling or impounding nearly 18,000 acres (over half in Louisiana alone). The NMFS found no objection to the proposed alteration of about 4,600 acres, recommended that about 13,400 acres not be altered, and proposed modification of permits pertaining to 3,324 acres. Therefore, the Habitat Conservation Program was responsible for conserving nearly 17,000 acres of habitat in the Southeast during a single year. Habitat so preserved was worth an estimated $33 million to the commercial and recreational fishery. (About 96% of all commercial and about 50% of all recreational fish and shellfish harvested in the Southeast region are estuarine dependent.)

The work of the Habitat Program that existed a few years ago when the above data were collected has expanded. Yet overall operations are proceeding with about one-fourth fewer personnel. In addition, less money is available. For example, in the Southeast about $900,000 was available in 1982, over and above fixed costs, for contracting field work to nonfederal consultants; there were too few NMFS personnel to conduct this activity. Presently only $300,000 is available for the same activities.

Recently the advisory body to NMFS, the Marine Fisheries Advisory Committee, made the following recommendation and justification for FY 85 funding of the Habitat Program:

> "The new NMFS habitat conservation policy was adopted formally and released in November 1983, with guidance for implementation scheduled for release in coming weeks. Accelerated small hydro developments, particularly in the Pacific Northwest and Northeast, requires careful evaluation by NMFS to ensure that wild living resources are benefited, not degraded, by the developments. The recent judicial settlement resolved earlier this month on the Corps' permit regulatory program places stronger emphasis on comments and recommendations developed by NMFS for maintaining and mitigating aquatic habitats covered in permit applications and stipulations in permits. In addition, Congress has proposed to enact requirements for NMFS and FWS under the Fish and Wildlife Coordination Act to evaluate the effectiveness of the Corps' permit program.
>
> In view of the existing and increasing demands for more intensive habitat evaluations and management by NMFS/NOAA, the Habitat Conservation Subcommittee recommends that efforts be executed to have NMFS' fiscal year 1985 budget be augmented by $3 million, with 30-32 FTE's, to implement a sound habitat conservation program for marine and anadromous resources."

The NWF agrees that the Habitat Program critically needs additional funds to carry out its responsibilities. We recommend adding $2.925 million ($1.5 million above FY85 base) to the Habitat Conservation Program.

III. STATE INDUSTRY ASSISTANCE

A. Grants to States

1. Anadromous Fish Conservation Act

a. Section 4

The Anadromous Fish Conservation Act (PL 89-304) grants to states program would be eliminated by the Administration's proposal. This program has provided enormous benefits to anadromous fishery resources which are a primary federal responsibility. The state-federal partnership which evolved through this program in managing anadromous fish resources has been among the most productive of programs enhancing our nation's fisheries.

It is vital that this program be funded. For example, critical research needs for just one of the many anadromous fish covered under Section 4, the American Shad, recently were assessed by forty of the nation's top experts on American Shad fisheries. These experts developed a list of fifteen research projects determined to be critical to maintaining and restoring this important fishery resource. Total funding needed by the projects was estimated at between $3 and $5 million. Therefore, funding needs for even one of the many anadromous fish species covered under the Act outweigh total monies available under the program.

The NWF urges restoration of $3.2 million to Section 4 of the Anadromous Fish Conservation Program.

b. Section 7

Section 7 of the Anadromous Fish Conservation Act provides funds for a research project commonly known as the Emergency Striped Bass Study. The proposed NMFS budget includes no money for Section 7.

The Emergency Striped Bass Study was implemented to monitor the status of striped bass stocks and to determine factors responsible for their decline which is reaching critical stages on the East Coast. Although studies are continuing and some critical research needs have been addressed, tremendous need for the study's research continues. Unfortunately, since initiation of the study, funding has not been appropriated at authorized levels. For example, during the five years Section 7 was authorized only $3.32 million was appropriated directly to Section 7 of the $6.75 million authorized for the NMFS and Fish and Wildlife Service. The "study" is not complete and the decline of Atlantic coastal striped bass continues. Therefore, NWF urges that Congress provide NMFS $1 million for continuation of Section 7, the Emergency Striped Bass Study.

2. Commercial Fisheries Research and Development

The proposed FY 85 budget would eliminate all funding for Section 4(a), grants to states, of the Commercial Fisheries Research and Development Act (PL 88-309). Recently, amendments to the Act (PL 97-389) authorized $5 million for FYs 84 and 85 for Section 4(a), reaffirming Congress' intent that the program be maintained and funded appropriately.

Highly important fisheries research and development activities are conducted in all 50 states by funds provided through this program. NWF feels strongly that these monies have provided substantial benefits and should be continued. We also emphasize that the value of the program to inland states which receive a 1% appropriation is as important as it is to coastal states which generally receive a much higher proportion of funding.

The NWF urges funding the Commercial Fisheries Research and Development Program at the authorized level of $5 million for FY 85.

3. Fisheries Development

a. Development Grants (Saltonstall-Kennedy Program)

The NWF urges that $10 million be restored to this important grants program. Monies accruing to the development grant program should appropriately be spent on such grants and not diverted elsewhere. Activities conducted under these grants are highly beneficial to the recreational as well as commercial fishing industry. We hope Congress will continue to emphasize the need to maintain the availability of these funds to recreational fishing oriented projects.

* * *

Mr. Chairman, we hope these comments will be helpful in your evaluation of the NMFS budget. Thank you for the opportunity to speak before you today on the critical need to maintain funding for the National Marine Fisheries Service.

Summary of National Wildlife Federation Recommendations on the Fiscal Year 1985 Budget of the National Marine Fisheries Service

(* denotes high priority Program for NWF)

Program	NWF recommended additions to Administration's proposed budget[1] (thousands of dollars)	Additional NWF recommendations/ comments
Information Collection & Analysis		maintain all NOAA research vessels ($5,338,000)
Resource Information		
Surveys	1,078	
Protected Species	1,180	
*Habitat Research	5,543[2]	critical research given high priority by recent NMFS Habitat Policy; maintain Oxford, MD lab.
Salmon Research	365	
Aquaculture	5,356	maintain Galveston, TX lab.

Marine Rec. Fisheries	918	maintain Tiburon, CA lab.
Oceanography Survey Tech	922	maintain Bay St. Louis, MS lab.
Salmon Treaty Research	1,450	
Fisheries Industry Information		
Fishery Statistics	3,000	includes $600,000 restoration to $1.8 million base for critical marine recreational fishing survey.
Information Analysis & Dissemination		
Nearshore Research	738	
Stock Abundance Prediction	236	
Conservation & Management		
Fisheries Management		
*Regional Councils	4,000	
Columbia River Program	9,954	subject to reevaluation if funding through Bonneville Power Authority is proposed.

Program	NWF recommended additions to Administration's proposed budget[1/] (thousands of dollars)	Additional NWF recommendations/ comments
Salmon & Steelhead Enhancement	1,000	
*Habitat Conservation	2,925[2/]	critical program given high priority by recent NMFS Habitat Policy
State & Industry Assistance		
Grants to States		
*Anadromous Fish Act		
Section 4	3,200	
Section 7	1,000[2/]	Section 7 be reauthorized for FY 85 at funding level of $2 million of which would be appropriated to NMFS
*Commercial R&D	5,000[2/]	
Fisheries Development Development Grants (S-K)	10,000	

FOOTNOTES

1. Recommendation equals FY 85 base level funding except where indicated (base level is the funding level required to maintain program at present activity level).

2. Recommendation above FY 85 base level.

MARINE FISHERIES

Senator RUDMAN. Thank you very much.

Senator Hatfield, do you have any questions for any members of this panel?

Chairman HATFIELD. Thank you, Mr. Chairman. I would like to thank you, again, for taking over this responsibility of this important subcommittee in order to assist Senator Laxalt in his many functions and duties.

First, I would like to pose a couple of brief questions to the gentleman on marine fisheries. I believe the rate of consumption on domestic markets has been on an increase, is that correct, in terms of fishery products?

Mr. MCCALLUM. It has been on an increase, not spectacular, but the pounds per capita consumption has increased.

INCREASED IMPORTATION OF FISHERY PRODUCTS

Chairman HATFIELD. Right. Second, what has been the picture in the import of fishery products?

Mr. COOKINGHAM. The same.

Chairman HATFIELD. It has been on the increase, has it not?

Mr. COOKINGHAM. A little bit.

Chairman HATFIELD. So here we have basically an issue or problem far greater than what you represent in terms of a national economy of a consumption rate that is on the increase and the import of the medium of that market is on the increase, whereas we are neglecting our own domestic fisheries and thereby relieving some of the balance of trade deficits we are facing. Is that a valid observation?

Mr. COOKINGHAM. Yes. I would remind you, though, that our export trade in marine fisheries has expanded tremendously in the last 2 years.

Chairman HATFIELD. Which, again, helped to offset the balance of trade deficit.

Mr. COOKINGHAM. For example, 30,000 metric tons of squid either involved a joint venture or were processed and exported from this country last year, to name one species.

Chairman HATFIELD. We are talking about a multiplier of these budgets, a very small investment of returns they bring into not just the fishery resource but the total economic issue, would you not agree?

Mr. COOKINGHAM. I agree.

FISHERY RESOURCES AND INTERNATIONAL HUNGER PROBLEMS

Chairman HATFIELD. Also, is it not true that we still have an international hunger problem that is mounting, not diminishing, and fisheries offer an opportunity for relieving that problem that really helps contribute to violence, war, instability in the part of the world where that hunger exists? Do we not have a potential here to help relieve that problem?

Mr. COOKINGHAM. A lot of us feel world hunger is going to—if fish can be processed in such a way——

Chairman HATFIELD. So if we address causes of instability, we are really addressing a greater problem of maintaining a military presence and cost of military weaponries. As I understand it, many of the third world countries are spending perhaps $11,900 every 2 seconds to add to their arsenals. At the same time, a baby will die every 2 seconds in those parts of the world. We are using the wrong instrumentality to deal with the problem. You don't have to agree with that. I am not moving from asking questions to preaching.

Senator RUDMAN. Senator Hatfield always manages to get back to one of his favorite subjects, no matter what the subject.

OFFSHORE LEASING FOR MINERAL EXPLORATION

Chairman HATFIELD. May I touch on one other subject with you on the NOAA program, Dr. Corell. As you know, we have been going through political discussions about leasing offshore lands for mineral exploration, particularly polysulfides on the Pacific rim. Some of us feel there should be far greater research and determination made on environmental impact and other things before the lease is made.

The administration has indicated that the leasee should be given the rate and then make the decision. In these programs, do you not see a tremendous potential here to develop data information that could lead to exploration and development of mineral resources, that these reduced budgets will reduce and minimize that possibility?

Mr. CORELL. I agree wholeheartedly with that. The problems with polysulfides issues is a very fundamental question to be answered. We have an understanding that they exist. Sea grants have been involved and probably will be more involved. It gives us much more of an impetus to be concerned about because they are now our responsibility. There are fundamental questions about the yield and environmental impact and the universities can play an increased role in that.

Chairman HATFIELD. You are beginning to reduce our dependency on imports from the third world and give us more independence in that field, are you not?

Mr. CORELL. Indeed. What is interesting about this, it appears we are seeing new methods of ore formation that may have implications—we can understand how they are done in the deep ocean, where we actually see ore being formed in the deep ocean and translate that to better understanding where our deposits are and find them more readily than in the past.

We are changing this whole understanding of science.

PERSONNEL IN DEEP SEA METALLIC RESEARCH

Chairman HATFIELD. Again, in New Hampshire and places like Newport, Oreg., there is the resource of personnel that can really go in and determine these polymetallic sulfides and others, and if we underfund these areas of activity, we are then, again, in the long term cutting off our own requirements and opportunity to meet those requirements.

Mr. CORELL. We have these teams in place. It has taken a long time for the universities to build that resource. Without funding base, without sea grants and other fundamental science programs, these individuals can no longer stay with us. They will be doing other things.

Chairman HATFIELD. Thank you, Mr. Chairman. Thank you, gentlemen.

INTRODUCTION OF PANEL III

Senator RUDMAN. Thank you all very much. We are going to move on to panel III, then to panel IV, and then to panel II. These panels are of fairly short duration. I am going to ask the first group of witnesses on the matter of funding of the ambassador of the Holy See to come forth. Mr. Gaston Cogdell, Mr. Edd Doerr, Mr. John Baker, Mr. Forest D. Montgomery, Mr. William L. Lumpkin, and Dr. Gary M. Ross. Please come up and sit down.

Mr. Ross, will you sit on the right, followed by Mr. Cogdell, Mr. Doerr, Mr. Baker, Mr. Montgomery, and Dr. Lumpkin.

Gentlemen, thank you very much for being here this morning. I think we will follow the same procedure we did with panel I. We will ask you to observe the time constraints, signified by that ominous red light when it comes on, as best you can. We have a lot to hear this morning. I am going to ask that each of you present your testimony. The entire statement will be incorporated in the record of this hearing. At the end of each of your testimonies, we will have some questions from Senator Hatfield and myself.

Dr. Gary Ross, if you would like to proceed.

Panel III

FUNDING FOR AN AMBASSADOR TO THE VATICAN

STATEMENT OF GARY M. ROSS, ASSOCIATE DIRECTOR AND CONGRESSIONAL LIAISON, GENERAL CONFERENCE OF SEVENTH-DAY ADVENTISTS

ACCOMPANIED BY:

GASTON COGDELL, ELDER, CLIFTON CHURCH OF CHRIST
EDD DOERR, EXECUTIVE DIRECTOR, AMERICANS FOR RELIGIOUS LIBERTY
JOHN BAKER, GENERAL COUNSEL, BAPTIST JOINT COMMITTEE ON PUBLIC AFFAIRS
FOREST D. MONTGOMERY, COUNSEL, NATIONAL ASSOCIATION OF EVANGELICALS
WILLIAM L. LUMPKIN, BAPTIST GENERAL ASSOCIATION OF VIRGINIA

CHURCH-STATE SEPARATION

Mr. Ross. Thank you, Mr. Chairman, and thank you, Senator Hatfield. I am addressing you today as a representative of the General Conference of the Seventh-Day Adventists headquartered in Washington, D.C., comprising nearly 5 million members worldwide. The Seventh-Day Adventists Church has made religious liberty a central preoccupation since the 19th century years of its origin. This driving impulse, religious liberty, as seen as springing from the Biblical principle of the freedom of conscience and is seen here in the United States translating into the hallowed practice of church/state separation.

The latter practice, which our Supreme Court has found to be embodied in the first amendment, is regularly defended and fostered in various contexts. Today, the context is the appointment of the ambassador to the Holy City. We applaud this committee for providing one of the scarce opportunities that libertarians have had in which to express their intense yet respectful opposition to such an appointment.

Unfortunately, you may not be empowered to grant what we ultimately seek—withdrawal of the nomination of William A. Wilson and reinstatement of the 1867 ban on the use of Federal money for the instant purpose.

Yet, by denying the State Department's request in compliance with the Budget Act of 1978 to reprogram its current budget and thus to augment its $500,000 liaison allocation by $325,000, you will signal to all parties concerned that the whole enterprise is questionable. You will break the momentum that has brought the Vatican issue so quickly and quietly to this point. For us, the enterprise is questionable on numerous grounds spelled out at length in a paper by my colleague which I have asked to be inserted in the record.

Senator Rudman. It will be inserted.

[The information follows:]

Statement of

B. B. Beach, Director
Department of Public Affairs and Religious Liberty
General Conference of Seventh-day Adventists

Regarding

Federal Funds for an Ambassador and Embassy to the Holy See

DIPLOMATIC RELATIONS WITH THE HOLY SEE

Why We Are Opposed

Thank you for your generous invitation to testify before this distinguished committee. It is because of our love of the church and love of our country, and deep concern for their mutual welfare, that we oppose diplomatic relations between the U.S.A. and the Holy See and the disbursement of tax monies for that purpose.

A Question of Public Policy. It is indeed proper for the Appropriations Committee to step out of the narrow realm of appropriations and enter the forum of public policy. This has been done in the past. Today, the public policy approach is all the more necessary, because the House discussions and hearings planned originally for Representative Zablocki's bill have been circumvented by the hasty action of the Senate on September 22. Furthermore, federal funding is a central policy issue: Should federal tax money be used to fund an ambassadorial post and mission to the central authority of a church.

On January 10 the United States and the Vatican announced that diplomatic relations would be established between them and that the White House would nominate William A. Wilson as the U.S. ambassador to the Holy See. Until then, Mr. Wilson served only as the President's personal envoy at the Vatican.

A Surprise Move. A little historical background may help one understand the current developments. In a surprise move on September 22, 1983, the Senate by voice vote approved an amendment to the State Department Authorization Bill lifting the 1867 prohibition against expenditure of government funds to support diplomatic relations with the Holy See. This amendment prevailed in conference and on November 22 became law.

Actually, the action of Congress represents much more than the simple removal of an 116-year-old stricture, for it openly states that its purpose is "to provide for the establishment of United States diplomatic relations with the Vatican." This radical change in long-standing national policy was accomplished without public discussion or hearings and without substantive debate in either House. It thus seems to have circumvented the democratic process, and this gives cause for concern. The issue has been controversial and divisive, and, whenever raised, it has produced strong reactions.

Diplomatic Relations with the Papal States. Between 1848 and 1867 the U.S. had diplomatic relations with the Papal States. For much of this time the Pope was the sovereign of a bona fide state that controlled central Italy and enjoyed a population of over three million, with Rome as the capital. The U.S. Presidents and secretaries of state instructed their envoys in Rome (Italy had not been unified as yet and the capital was in Florence) to involve themselves only in "civil relations" and "extension of commerce" and to protect U.S. citizens traveling in that part of the Italian peninsula controlled by the secular authority of the Pope. Relations with the Pope as head of the Church of Rome were specifically excluded.

By 1867 the territory of the Papal States had been reduced to the city of Rome itself. In 1870, when the troops of King Victor Emmanuel stormed the Eternal City and made it the capital of a unified Italy, the Papal States lapsed. Amazingly, just as the Catholic Church reached the nadir of its political status as a state, it proclaimed the dogma of papal infallibility, thus bolstering the claims of church supremacy.

Reasons for Ending Diplomatic Relations. Reasons given in the 1867 House debate for closing the U.S. legation in Rome included: 1) papal intolerance--Protestant worship in Rome was prohibited and subject to the Inquisition even in private homes; 2) declining need--diplomatic relations with a state that was in the process of being swallowed up by the Kingdom of Italy would serve little useful purpose; 3) the "ornamental" nature of the post--it was not advantaging the American people; 4) cost--the legation seemed to be a useless expense; 5) the constitutional issue--a possible violation of church and state, especially with the almost complete elimination of the Pope's temporal power. The result of the debate in the House of Representatives was an overwhelming vote (82 to 18) in favor of closing the legation in Rome. A few years later the U.S. reopened a legation in Rome, but this time, of course, it was to the Italian nation.

Vatican City. For some sixty years subsequent, the Pope could not claim to be the ruler of a state. In 1929 an effort was made to heal the deadly wound inflicted upon the aspirations of the Papacy to be a state. The present miniscule Vatican City (one-sixth of a square mile) was created by the Lateran Treaty with the Italian Government of Benito Mussolini. The latter gave the Pope sovereignty over the 108 acres surrounding St. Peter's and the papal palace, in order to solve the strained relations with the Papacy that dated back to the Italian risorgimento and unification and hopefully to gain at least a modicum of support for his regime.

Vatican City is thus an artificial state. It is exclusively the headquarters of a church--the Roman Catholic Church. It is basically a church center, run by clerics, with some formal overdressing of a state (stamps, ornamental Swiss guards, diplomatic service, international finance) to give the religious hub of Catholicism independence from Italian state control and more international political influence.

There is no doubt that in the past anti-Catholicism was a motivating element in the opposition to U.S.-Vatican diplomatic relations. The fear of Roman Catholic intolerance (religious persecution in some Roman Catholic nations) and concern for American civil liberties were related factors. Today, with the growth of ecumenism and more benign inter-church relations, with the official affirmation of religious liberty by the Roman Catholic Church at the Second Vatican Council (1965), and with the activities of the current Pope in the promotion of peace and human rights, the atmosphere differs markedly from 1952 when President Truman tried unsuccessfully to appoint General Mark Clark as ambassador to the Vatican.

Strong Nationwide Opposition. Nevertheless, there is strong nationwide opposition to U.S.-Vatican diplomatic relations. The groups or individuals who have spoken in opposition represent a broad spectrum: The National Council of Churches, National Association of Evangelicals, Baptist Joint Committee on Public Affairs, General Conference of Seventh-day Adventists, the Moral Majority, and Americans United for Separation of Church and State. There has also been some Jewish opposition, but this voice has been muted: The Vatican has not recognized the State of Israel, and it is felt that Jewish opposition to U.S. diplomatic recognition of the Holy See would militate against Vatican diplomatic recognition of Israel.

By no means are all Roman Catholics enthusiastic about U.S.-Vatican ties. Some foresee constitutional problems, negative fallout on inter-church relations, the lack of practical need, the trouble that Vatican interference in U.S. affairs of state might cause, and the increased potential for U.S. government intrusion in Catholic Church affairs. Members of the Catholic hierarchy have been circumspect regarding the matter of diplomatic relations and have not spoken out. Some are not anxious to have a papal nuncio in Washington breathing down their clerical collars, for he would speak for the Pope and the Roman Catholic Church and enjoy direct access to the government without the necessity of mediation by the U.S. Catholic Episcopal Conference.

The Seventh-day Adventist rationale for opposition is five-fold:

1. **Separation of Church and State.** Diplomatic ties with the Holy See run counter to the fundamental U.S. tradition and concept of separation of church and state. It is a "question of establishment of religion." One test of the constitutionality of a law is whether it entangles the government with the affairs of a church. Not only would diplomatic relations with the Holy See inevitably entangle the U.S. with the problems, views, claims, and aims of a church, but it would involve that church in the political affairs of the United States and its government. The papal ambassadors ("nuncios") have been and are strongly involved in the internal and external political affairs of varying countries (e.g., in South America).

There is no doubt that the Papacy has political power, and over the centuries the Church of Rome, as a result, has had to pay a heavy spiritual price. Church political ambition runs counter to the American national spirit and heritage of separation of church and state.

2. **A Form of Religious Discrimination.** Having diplomatic relations with the Vatican is discriminatory. It represents a violation of the American principle of pluralism and the equality of all religions and churches before the law and government. The diplomatic tie in question would show special favor to one church simply because of its size and influence and because historically that church has claimed to possess civil authority. The U.S. Supreme Court (e.g., in _Everson vs. Board of Education_ or _McCollum vs. Board of Education_) has made clear that government cannot pass laws that aid one religion, aid all religions or prefer one religion over others.

Granting the Holy See, and therefore the Roman Catholic Church, special recognition and direct access to the State Department and the White House, is discrimination toward other churches, especially world churches or world ecclesiastical councils. It is a valued American principle of government to treat all churches and religions on an equal footing, no matter their size and power.

3. **Pope and Curia Comprise Holy See.** It is unrealistic, and in practice impossible, to differentiate between the Pope as head of the Roman Catholic Church and as head of the Vatican City State. In fact, diplomatic relations are _not_ with the Vatican or Vatican City but with the _Holy See_. The Vatican is simply the official residence of the Pope and nucleus of Vatican City. The Pope and curia (central administrative staff of the Roman Catholic Church, the departments of which are headed by various cardinals) together comprise the Holy See. The Holy See is used synonymously with "Apostolic See," "Roman Church," and "Roman Curia," not with Vatican City. The Holy See has thus come to designate either the central government of the Roman Catholic Church or the authority itself behind that government (Supreme Pontiff), or the community governed (Church of Rome); it is not Vatican City as such. An ambassador to the Holy See is in essence an ambassador to the head and government of the Roman Catholic Church. In fact, the juridical status of the Holy See in no way depends on the territorial base of Vatican City. Any interpretation making a separation between the Holy See and the Roman Catholic Church is, to say the least, misleading. The Roman Catholic Church itself makes this clear by the

dual role assigned to nuncios as ambassadors to the government and as papal representatives to the Catholic bishops of the same country.

Today, advocates of U.S. diplomatic relations with the Holy See want these relations specifically with the Pope, precisely *because* he is head of the worldwide Roman Catholic Church. Relations with the tiny Vatican enclave in Rome as such, with a total population of less than 1,000 people, would be of little meaning. An ambassador to the Holy See is not and cannot be an envoy simply to the ruler of Vatican City. It is the religious authority of the Pope over hundreds of millions of Catholics that prompts the call for diplomatic relations. It is the religious force of the Roman Catholic Church permeating international life that is in play. In the briefest of discussions in the Senate on September 22, 1983, Senator Quayle advocated recognition of the Vatican as a "world state." This obviously means the Roman Catholic Church, the only entity through which the Vatican has world significance.

A well-known Roman Catholic historian has written: "If there were to be an American ambassador to the Vatican, he would have to be ambassador to the Pope as Pope. This would not demand United States recognition of all the papal claims implied in the titles 'Vicar of Jesus Christ, Successor to the Prince of the Apostles, Supreme Pontiff of the Universal Church,' but, to speak realistically, it would mean that the United States acknowledged the fact that such claims were made, and that a reality existed to substantiate them, and that the importance of that reality, the spiritual authority of the Pope, was such that it warranted establishment of diplomatic relations" (James J. Hennesey, S.J., "U.S. Representative at the Vatican," *America*, December 4, 1965, p. 708).

4. **Official Diplomatic Relations Unnecessary.** The appointment of a U.S. ambassador to the Holy See is unnecessary. While it would represent a triumph for the diplomatic activities of the Catholic Church, it provides little, if any, additional value to the United States.

Much is made by some of the importance of the Vatican as a listening post. However, the President already has a personal envoy; besides, there is a heavily staffed U.S. embassy in Rome. It is not convincing to suggest that the Vatican is holding back information from the personal envoy of the President simply because that envoy lacks the protocol status of ambassador. Such status would no doubt help William A. Wilson to "sit higher" at Vatican ceremonial functions (of which there are many and mostly of a religious nature), but it could hardly provide him with additional intelligence of value. Furthermore, any information provided by the Vatican would naturally be refracted through Catholic aims, needs, and desires. The goals of Roman Catholic diplomacy, with the Pope espousing a world leadership role as Vicar of Christ, are obviously not the same as those of the strictly non-religious, though not anti-religious, government of the United States.

In view of the pressing demands on the State Department budget, it seems logical to suggest that spending funds for an unnecessary embassy to a church center in Rome--the Holy See--is a wasteful use of tax revenue.

5. **Possible Damage to Inter-church Relations.** Sending a U.S. ambassador to the Holy See is not conducive to good inter-church relations. In recent years, especially since Vatican II, relations between Protestants and Catholics in the United States have reflected less of the past acrimony. The appointment of an ambassador to the headquarters of the Church of Rome and the arrival of a papal pro-nuncio[1] in Washington might acerbate inter-church relations by raising in the minds of many non-Catholics certain legitimate questions, emotional specters from the past, and concerns regarding the future. The charge of favoritism and discrimination does not sit well.

The Seventh-day Adventist opposition to U.S. diplomatic recognition of the Holy See is not based on anti-Catholic bigotry. No one can deny the current Pope's efforts to promote peace and his speeches supporting human rights. These endeavors are not in question. The Pope's status as a significant international figure is not the issue. The basic problem is the First Amendment to the United States Constitution and diplomatic relations with a church.

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[1] The Roman Catholic Church sends a nuncio (ambassador) only when that country will give him the status of dean of the diplomatic corps. Knowing that this is not feasible in the United States, Rome will probably send a pro-nuncio (ambassador of slightly lower rank). The Catholic Church's desire for diplomatic deanship (recognized in 1815 by the Congress of Vienna) reflects its traditional concept of Catholic Church supremacy over the state.

OPPOSITION TO HOLY CITY AMBASSADOR

Mr. ROSS. The general argument is already familiar to you. Seventh-Day Adventists strongly oppose appointment of an ambassador to the Holy City because they believe such a step will retard interfaith harmony; they lament the facile manner in which the process has been conducted; and they reject the listening-post argument as untenable given the heavily staffed embassy already maintained by the United States in Rome.

But the principal objection is constitutional. The Holy See is the headquarters of a church. Using Federal money to fund a relationship between the Government and such a religious entity would hazard an establishment of religion in violation of the spirit, if not the letter, of the first amendment, and it would enable the Holy See to reciprocate by naming a pro-nuncio to the United States whose preferential access to the White House would compromise the pluralistic religious situation that the founders envisioned as a precondition of church/state separation.

DEVELOPMENTS SUPPORTING CHURCH ACTION AGAINST VATICAN AMBASSADOR

But rather than belabor these points, I wish to address some recent developments that supplement our case against the contemplated action.

First, although the establishment clause and its tripartite test properly dominate this debate, free exercise arguments are emerging, too. Potential White House pressures upon American Catholic bishops could inhibit their being what they desire to be, and stated more generally, what does it do to the vitality of a church, any church, to be regarded pragmatically, which is the way our Government through its listening-post notion apparently regards the Holy See.

Churches are not adjuncts of a nation's foreign policy. They are fulcrums of spirituality that beg for free and uninhibited expression, and in fraternal love, we seek this for all churches, not just our own.

Second, frequent references of the media to the fact that only minimal opposition has developed to the appointment of an ambassador are describing an audible illusion. It is now clear that our voices are being measured against the 1950's when a furor of bigotry could be unleashed and against the millions of messages that the new right can generate electronically.

Today's opposition is positive and it is conveyed by the traditional spontaneous ways and means of mainline churches. Today's opposition is not negative and it makes no resort to mechanical gimmicks. Please understand its intensity and eschew the widespread temptation to weigh it by false standards.

Third, a church/state agreement has been signed this month by Italy and the Vatican whereby Roman Catholicism is no longer Italy's state religion, nor Rome a sacred city. Soon to replace the Lateran Pacts of 1929, the new Concordat is described by Agostini Casaroli as manifesting that church and state are independent and sovereign and is attributed by the cardinal to Vatican II and its deemphasis upon the temporality of the church.

We hail this affirmation of church/state separation there at the moment of its abridgement here. As the Christian Science Monitor editorialized on February 27, "The agreement in Italy warrants the closest possible study by those nations still having an established state church and those nations, such as the United States, which are seeking at this late date to establish diplomatic ties with the Roman Catholic Church."

May these considerations assist you in the decisions that you must make. Thank you, Mr. Chairman.

[The statement of Dr. Ross follows:]

PREPARED STATEMENT

GARY M. ROSS, PH.D.
ASSOCIATE DIRECTOR
DEPARTMENT OF PUBLIC AFFAIRS AND RELIGIOUS LIBERTY
GENERAL CONFERENCE OF SEVENTH-DAY ADVENTISTS

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I AM ADDRESSING YOU TODAY AS A REPRESENTATIVE OF THE GENERAL CONFERENCE OF SEVENTH-DAY ADVENTISTS. HEADQUARTERED IN WASHINGTON, D.C., AND COMPRISING NEARLY FIVE MILLION MEMBERS WORLDWIDE, THE SEVENTH-DAY ADVENTIST CHURCH HAS MADE RELIGIOUS LIBERTY A CENTRAL PREOCCUPATION SINCE THE MID-NINETEENTH CENTURY YEARS OF ITS ORIGIN.

THIS DRIVING IMPULSE--RELIGIOUS LIBERTY--IS SEEN AS SPRINGING FROM THE BIBLICAL PRINCIPLE OF THE FREEDOM OF CONSCIENCE AND IS SEEN HERE IN THE UNITED STATES AS TRANSLATING INTO THE HALLOWED PRACTICE OF CHURCH-STATE SEPARATION. THE LATTER PRACTICE, WHICH OUR SUPREME COURT HAS FOUND TO BE EMBODIED IN THE FIRST AMENDMENT, IS REGULARLY DEFENDED AND FOSTERED IN VARIOUS CONTEXTS.

TODAY THE CONTEXT IS THE APPOINTMENT OF AN AMBASSADOR TO THE HOLY SEE. WE APPLAUD THIS COMMITTEE FOR PROVIDING ONE OF THE SCARCE OPPORTUNITIES THAT LIBERTARIANS HAVE HAD IN WHICH TO EXPRESS THEIR INTENSE YET RESPECTFUL OPPOSITION TO SUCH AN APPOINTMENT.

UNFORTUNATELY, YOU MAY NOT BE EMPOWERED TO GRANT WHAT WE ULTIMATELY SEEK--WITHDRAWAL OF THE NOMINATION OF WILLIAM A. WILSON AND REINSTATEMENT OF THE 1867 BAN ON THE USE OF FEDERAL MONEY FOR THE INSTANT PURPOSE. YET BY DENYING THE STATE DEPARTMENT'S REQUEST--IN COMPLIANCE WITH THE BUDGET ACT OF 1974--TO REPROGRAM ITS CURRENT BUDGET AND THUS TO AUGMENT ITS $500,000 LIAISON ALLOCATION BY $325,000, YOU WILL SIGNAL TO ALL PARTIES CONCERNED THAT THE WHOLE ENTERPRISE

IS QUESTIONABLE. YOU WILL BREAK THE MOMENTUM THAT HAS BROUGHT THE VATICAN ISSUE SO QUICKLY AND QUIETLY TO THIS POINT.

FOR US THE ENTERPRISE IS QUESTIONABLE ON NUMEROUS GROUNDS SPELLED OUT AT LENGTH IN A PAPER BY MY COLLEAGUE DR. BERT BEACH THAT I ASK TO HAVE INSERTED INTO THE RECORD. THE GENERAL ARGUMENT IS ALREADY FAMILIAR TO YOU.

SEVENTH-DAY ADVENTISTS STRONGLY OPPOSE APPOINTMENT OF AN AMBASSADOR TO THE HOLY SEE BECAUSE THEY BELIEVE THAT SUCH A STEP WOULD RETARD INTERFAITH HARMONY; THEY LAMENT THE FACILE MANNER IN WHICH THE PROCESS HAS BEEN CONDUCTED; AND THEY REJECT THE LISTENING-POST ARGUMENT AS UNTENABLE GIVEN THE HEAVILY STAFFED EMBASSY ALREADY MAINTAINED BY THE UNITED STATES IN ROME.

BUT THE PRINCIPAL OBJECTION IS CONSTITUTIONAL. THE HOLY SEE IS THE HEADQUARTERS OF A CHURCH. USING FEDERAL MONEY TO FUND A RELATIONSHIP BETWEEN THE GOVERNMENT AND SUCH A RELIGIOUS ENTITY WOULD HAZARD AN "ESTABLISHMENT OF RELIGION" IN VIOLATION OF THE SPIRIT, IF NOT THE LETTER, OF THE FIRST AMENDMENT. AND IT WOULD ENABLE THE HOLY SEE TO RECIPROCATE BY NAMING A PRO-NUNCIO TO THE U.S., WHOSE PREFERENTIAL ACCESS TO THE WHITE HOUSE WOULD COMPROMISE THE PLURALISTIC RELIGIOUS SITUATION THAT THE FOUNDERS ENVISIONED AS A PRECONDITION OF CHURCH-STATE SEPARATION.

RATHER THAN BELABOR THESE POINTS I WISH TO ADDRESS SOME RECENT DEVELOPMENTS THAT SUPPLEMENT OUR CASE AGAINST THE CONTEMPLATED ACTION.

FIRST, ALTHOUGH THE ESTABLISHMENT CLAUSE AND ITS TRIPARTITE TEST PROPERLY DOMINATE THIS DEBATE, FREE EXERCISE ARGUMENTS ARE EMERGING, TOO. POTENTIAL WHITE HOUSE PRESSURES UPON AMERICAN CATHOLIC BISHOPS COULD INHIBIT THEIR BEING WHAT THEY DESIRE TO BE. AND STATED MORE GENERALLY, WHAT DOES IT DO FOR THE VITALITY OF A CHURCH--ANY CHURCH--TO BE REGARDED PRAGMATICALLY, WHICH IS THE WAY OUR GOVERNMENT THROUGH ITS "LISTENING-POST NOTION" APPARENTLY REGARDS THE HOLY SEE. CHURCHES ARE NOT ADJUNCTS OF A NATION'S FOREIGN POLICY; THEY ARE FULCRUMS OF SPIRITUALITY THAT BEG FOR FREE AND UNINHIBITED EXPRESSION. IN FRATERNAL LOVE WE SEEK THIS FOR ALL CHURCHES--NOT JUST OUR OWN.

SECOND, FREQUENT REFERENCES OF THE MEDIA TO "THE FACT" THAT ONLY "MINIMAL OPPOSITION" HAS DEVELOPED TO THE APPOINTMENT OF AN AMBASSADOR ARE DESCRIBING AN AUDIBLE ILLUSION. IT IS NOW CLEAR THAT OUR VOICES ARE BEING MEASURED AGAINST THE 1950'S WHEN A FUROR OF BIGOTRY COULD BE UNLEASHED AND AGAINST THE MILLIONS OF MESSAGES THAT THE NEW RIGHT CAN GENERATE ELECTRONICALLY. TODAY'S OPPOSITION IS POSITIVE, AND IT IS CONVEYED BY THE TRADITIONAL, SPONTANEOUS WAYS AND MEANS OF MAINLINE CHURCHES. TODAY'S OPPOSITION IS NOT NEGATIVE, AND IT MAKES NO RESORT TO MECHANICAL GIMMICKS. PLEASE UNDERSTAND ITS INTENSITY AND ESCHEW THE WIDESPREAD TEMPTATION TO WEIGH IT BY FALSE STANDARDS.

THIRD, A CHURCH-STATE AGREEMENT HAS BEEN SIGNED THIS MONTH BY ITALY AND THE VATICAN WHEREBY ROMAN CATHOLICISM IS NO LONGER ITALY'S STATE RELIGION NOR ROME A SACRED CITY. SOON TO REPLACE THE LATERAN PACTS OF 1929, THE NEW CONCORDAT IS DESCRIBED BY AGOSTINO CASAROLI AS MANIFESTING THAT CHURCH AND STATE ARE "INDEPENDENT AND SOVEREIGN" AND IS ATTRIBUTED BY THE CARDINAL TO VATICAN II AND IT'S DEEMPHASIS UPON THE TEMPORALITY OF THE CHURCH. WE HAIL THIS AFFIRMATION OF CHURCH-STATE SEPARATION THERE AT THE MOMENT OF ITS ABRIDGEMENT HERE. AS THE CHRISTIAN SCIENCE MONITOR EDITORIALIZED ON FEBRUARY 27, "THE AGREEMENT IN ITALY WARRANTS THE CLOSEST POSSIBLE STUDY BY THOSE NATIONS STILL HAVING AN ESTABLISHED STATE CHURCH AND THOSE NATIONS, SUCH AS THE UNITED STATES, WHICH ARE SEEKING AT THIS LATE DATE TO ESTABLISH DIPLOMATIC TIES WITH THE ROMAN CATHOLIC CHURCH."

MAY THESE CONSIDERATIONS ASSIST YOU IN THE DECISIONS YOU MUST MAKE.

CLIFTON CHURCH OF CHRIST

STATEMENT OF GASTON COGDELL

Senator RUDMAN. Thank you very much, Dr. Ross.

Mr. COGDELL. Mr. Chairman, Senator Hatfield, I am Gaston Cogdell of Cincinnati, Ohio, speaking as a representative of the approximately 18,000 completely independent and autonomous Churches of Christ across the Nation whose feelings on this subject we are addressing this morning, I believe, are about as unanimous and as passionately, deeply felt and held as on any subject you could mention.

I would like to say to you that the hopes of this Nation and of a large part of the substrata of independent Christianity of this Nation, Protestant Christianity, rests on the shoulders of you gentlemen. You have a great responsibility. You are being asked to appropriate money to thrust our Government deeply into the area of fierce religious controversy where it has no right to be, no need to be, and where its presence can only mean incalculable harm to this Nation. You are being asked to, in effect, establish Christianity as government, officially recognized of this Nation, and Roman Christianity as against Protestant Christianity and the Papist theological position and party as against the anti-Papist theological position and party within the Roman Catholic Church. By the way, that position is very strongly led by the redoubtable Hans Kune who has written of apostolic Papal infallibility and others have followed him. There is a strong anti-Papist party in America, and you are being asked to fund, buttress the centralization of this church intervening in an internal church struggle.

This is the clear implication and meaning of the establishment of a diplomatic link at the highest level between our Government and the Papacy, thus granting official governmental recognition, privilege, communication, honor, and preference in many ways, to the Roman Catholic Church, and to the Papal structure of ecclesiastical authority, which is not granted to any other church or religion.

The world is aflame right now because the question, "Who is going to run things and how are they going to be run?" has become entangled with the question, "What religion, and what sect of what religion, is going to have precedence and be recognized by Government as having rightful preeminence in society?" In northern Ireland, Lebanon, Iraq and Iran, Israel and the Middle East, India and Pakistan, the fires lit by a governmental recognition of one religion over others burn and destroy and threaten to engulf the world. And now you are being urged to help light that conflagration here in the United States, and give precedence and preeminence in our society to a structure of ecclesiastical authority which is the very embodiment of that absolutism and authoritarianism so abhorrent to the founders of this Nation and to their spiritual descendants—a structure of spiritual totalitarianism which has changed only for the worse since this Nation was established—the promulgation of the doctrine of Papal infallibility in 1870 being a further buttressing of the Pope's claim that he is the rightful absolute ruler of the Earth, whose authority is that of God Himself, when he speaks ex cathedra.

Religious leaders representing every major religious group and every part of the religious spectrum, including the National Association of Catholic Laity, have come before the two hearings that have been held in Congress in regard to this matter, and have begged and pled that an ambassador not be appointed to the so-called Holy See.

These pleas have been ignored by the Senate, which is proceeding with its plans to intervene on the wrong side of an age-old spiritual struggle that began in A.D. 325 when, despite the clear instruction of the Lord that His Kingdom was not of this world, Christianity was made the state religion of the Roman Empire. The tragic events marking the rise of the papacy and the expansion of its despotic claims over both the spiritual and the temporal realms, the persecution and martyrdom of millions of those who resisted those claims, the blessings of freedom, democracy, and enlightenment which the Protestant Reformation brought with it, with its return to the authority of the Scriptures and the doctrine of the priesthood of all believers, is written into the history of Western civilization.

One more paragraph, and I will try to finish.

Non-Roman Catholic Christians and, of course, non-Christians, deny the legitimacy of the Papal structure of temporal and spiritual authority and regard the Pope's titles as blasphemous, his pretensions as false, the homage paid him as idolatrous, and deny that he has any divinely ordained or rightful authority whatsoever in any realm or sphere.

Non-Catholic Christians point out that the Scriptures teach that no apostle or disciple is to exalt himself above the rest, or exercise dominion over the rest and that none in the family of God, the church, is to be called father except God; that Christ and Christ alone is the head of the church.

Honorable Senators and fellow Americans, please, please do not plant this festering sore, this malignancy. It has already begun to poison the stream of communication and political relationships and begun to arouse long-sleeping sectarian animosities and to resurrect sectarian tensions and frictions which will immediately weaken this Nation and will eventually destroy it from within. We beg and plead with you not to appropriate funds for the establishment of this illicit and tragically harmful official relationship between our Government and the Pope and the church of which he is the absolute ruler.

Senator RUDMAN. Thank you very much, Mr. Cogdell.

Mr. Doerr.

UNIVERSALIST ASSOCIATION OF CHURCHES

STATEMENT OF EDD DOERR

Mr. DOERR. Thank you. My name is Edd Doerr, and today I am representing the Universalist Association of Churches. Our historic church is the first church of the United States of the Pilgrims in Plymouth, Mass. The American Ethical Union, the American Humanist

Association, and the Council for Democratic and Secular Humanism have also asked to be included in the statement. I am also representing Americans for Religious Liberty, which is an ecumenical organization of Protestants, Catholics, Jews, and others who are concerned with preserving the principle of state/church separation, the equality of all churches and religious bodies before government and individualistic liberties.

I will not read my statement. I will make some other comments.

Having contacted every Member of the Senate on this issue, we have received a number of very thoughtful responses from a number of Senators, and there seems to be two points of confusion in the minds of some of the Senators who have to be burdened with everything else in government to have to worry about this thing now.

PAST CONSULAR RELATIONS WITH ROME

One, we are simply resuming some relations which were stopped at one time in the past. This is not the case at all. We never had diplomatic relations of any sort in this country with the Roman Catholic Church. We had consular relations with the Papal States from 1797 to about 1848. At that time, the Papal State was a real actual state, the size roughly of Maryland and New Jersey combined. It had 3 million people, about three-fourths the size of Maryland. It was a real state. We had consular relations with it.

For about 20 years after 1848, we maintained ministerial relations with the Papal States. Again, it was a real state. The Papal States ceased to exist in 1870 when they were incorporated into Italy. But the Holy See, which is the governing apparatus of the Catholic Church, went right on engaging in international relations.

I spend most of my working life teaching. The Holy See was an international religious body and conducted foreign policy even though it didn't have 1 square inch of sovereign territory. We have had, since President Roosevelt initiated the process and President Nixon resumed it in 1970, a personal Presidential envoy to the Vatican, but those are not U.S. diplomatic relations with the Vatican; they are personal relations between the President and the head of the Roman Catholic Church.

While we object to that for various reasons, it is not a question of diplomatic relations.

The other confusion seems to be between the Vatican and the Holy See. The Vatican is a 100-acre enclave in Italy which has territorial sovereignty. None of the 116 countries which has relations with the Holy See have relations with the Vatican. They do not have relations with this piece of sovereign territory. Rather, they have relations with the Holy See itself, which is a church; it is the headquarters, governing apparatus of a church. It is for that reason it is bad public policy and bad constitutional law for our Government to maintain relations with the governing apparatus of a church.

One final comment, at the comparable House hearing several weeks ago, the State Department representative made the statement that the

President wants the personal envoy upgraded to full ambassador because "we want to be able to influence the political positions" of the Holy See.

I think this is something that is absolutely off limits for our Government to try to do, influence the political positions of the Roman Catholic Church, my church, the Unitarian Universalist Church, Baptist Church, or any other. This Government should not intervene in the internal affairs of any church. If, as the State Department maintains, it is nice for us to have various religious bodies around the world understand our positions, the administration can issue press releases to all churches, have a meeting and expose the views of the administration to every religious body in the Nation and the world. It does not need diplomatic relations which, as I think other witnesses will spell out, very clearly violates the letter and spirit of the first amendment. Thank you.

[The prepared statement of Mr. Doerr follows:]

PREPARED STATEMENT OF EDD DOERR

EXECUTIVE DIRECTOR

AMERICANS FOR RELIGIOUS LIBERTY

REPRESENTING

Unitarian Universalist Association of Churches
American Ethical Union
American Humanist Association
Council for Democratic and Secular Humanism
Americans for Religious Liberty

Mr Chairman and Members of the Committee:

The Unitarian Universalist Association, the American Ethical Union, the American Humanist Association, the Council for Democratic and Secular Humanism, and Americans for Religious Liberty are strongly opposed to the appropriation of funds or the reprogramming of State Department funds for the operation of a diplomatic mission to the Holy See. Indeed, we oppose the establishment of diplomatic relations with the Holy See or any other religious body. While diplomatic relations are largely the prerogative of the president, Congress shares in this responsibility as the Senate must confirm diplomatic appointments and both Houses must concur in the allocation of funds for operating embassies.

The Unitarian Universalist Association, with 175,000 members, is composed of over 1,000 congregations in the U.S. The church has a long history in our country, going back to the time of the American Revolution. Indeed, the church of the Pilgrims in Plymouth, MA, is a Unitarian Universalist church. The UUA has long supported the constitutional principle of separation of church and state. At its annual General Assembly in 1973 the delegates voted almost unanimously for a resolution reaffirming support for church-state separation and specifically opposing any sort of diplomatic relations with any church.

The American Ethical Union, the American Humanist Association, and the Council for Democratic and Secular Humanism are national associations of congregations and individuals who strongly support religious liberty and church-state separation. Americans for Religious Liberty is a national educational organization of Protestants, Catholics, Jews, and others dedicated to defending religious freedom and church-state separation.

We maintain that religious liberty is our most basic liberty, that this liberty can exist in full measure only when all levels and branches of government respect and adhere to the constitutional principle of separation of church and state, which requires at least that government operate with neutrality toward all religions and religious bodies, and that any deviation from that constitutionally mandated neutrality is one of those "experiments on our liberties" against which James Madison warned in his "Memorial and Remonstrance".

The Holy See is the governing aparatus of a church. That is the reason for its importance and the reason why more than 100 nations maintain diplomatic relations with it. The fact that the Holy

See is primarily and essentially a religious entity is precisely why the United States government should not have diplomatic relations with it. Incidentally, the Holy See must not be confused with the Vatican. The Vatican is a tiny sovereign enclave where the Roman Catholic Church is headquartered. But nations maintain diplomatic relations not with the Vatican but with the Holy See as a nonterritorial international religious entity.

The president's action is not a resumption of the relations which our government had with the Papal States from 1797 to 1867. Those were consular and later ministerial relations of a secular nature with a very real state, with three million people and an area the size of Maryland and New Jersey combined, a state which ceased to exist when it was incorporated into the Kingdom of Italy in 1870. Between 1870 and 1929, when Italy allowed the Holy See a tract of 108 acres of sovereign territory, the Holy See conducted diplomatic relations and concluded treaties. Holding a piece of sovereign territory does not change the Holy See from a religious entity to a nation-state.

While possible litigation to challenge U.S. diplomatic relations with the Holy See might present purely technical problems having nothing to do with the constitutionality of the relations, this does not release the executive and legislative branches from their sworn obligation to conform to the strictures imposed by the Constitution and Bill of Rights.

Establishment of diplomatic relations with the Holy See is objectionable on constitutional and public policy grounds because:

It has the unconstitutional effect of preferring one religion over all others;

It unconstitutionally creates the potential for excessive government entanglement between our government and a church;

It creates new and exacerbates old tensions between faiths, as the public reactions to this appointment have shown;

It unconstitutionally creates the potential for political division along religious lines;

It implies, in Madison's words, that "the Civil Magistrate ... may employ Religion as an engine of Civil Policy ... /which is/ an unhallowed perversion of the means of salvation" ("Memorial and Remonstrance");

It conveys to all Americans the impression that their government values one religion over all others;

It blurs our uniquely American constitutional dividing line between church and state;

It necessitates unconstitutional congressional appropriation or reprogramming of funds for operating an embassy to the Holy See;

By violating the spirit and the letter of the First Amendment, it renders that guarantee of religious liberty more vulnerable to other forms of erosion and attack.

Although the Supreme Court has not had occasion to rule on the question of diplomatic relations with a church, its rulings on church-state cases cast grave doubt on the constitutionality of such actions. The thrust of the rulings is that the Establishment Clause is violated if a government action prefers one religion over another, lacks a clearly secular purpose, has a primary effect which advances or inhibits religion, fosters an excessive government entanglement with religion, or fosters political division along religious lines. While the president may claim a secular purpose for his action, the non-secular, preferential, and potentially entangling effects of diplomatic relations with the Holy See clearly run counter to the Court's tests of constitutionality.

It is said that diplomatic relations with the Holy See would promote peace and justice. But the Holy See's potential for contributions to peace and justice lie in its being a spiritual entity. It is distressing that this administration seems to imply that a religious body would withhold information or aid that could advance peace or justice on account of its not being accorded diplomatic recognition.

At the House hearings analogous to this one a few weeks ago, State Department representative Kanneth Dam asserted that the president upgraded his personal envoy to ambassador to the Holy See because "we want to be able to influence the political positions" of the Holy See. If that does not clearly demonstrate an unconstitutional purpose for the action, then words have lost their meanings.

Our nation has provided more religious liberty than any other because it has ever more fully implemented the constitutional principle of separation of church and state. In this respect our country is unique and stands as a shining example to the rest of the world. The Senate, we believe, must uphold the First Amendment in letter and spirit, preserve church-state separation, promote interfaith harmony, and maintain the equality of all religious bodied and faiths before the law by refusing to appropriate or reprogram any funds to maintain any form of diplomatic relations with the Holy See or any other religious body.

Baptist Joint Committee of Public Affairs

STATEMENT OF JOHN BAKER

Senator Rudman. Thank you, Mr. Doerr. Mr. Baker.

Mr. Baker. I am John Baker, general counsel of the Baptist Joint Committee on Public Affairs with the Washington office with eight Bap-tist bodies with a membership of almost 30 million people.

We do oppose reprograming of funds for the establishment of a permanent ambassadorship to the Holy See. I have a 12-page statement which will be included, and I hope you will have time to read what we have to say. Time restraints means I can't touch on it.

ADVERSE EFFECT ON MISSIONARY PROGRAMS

I do want to make one point that is different from most of the others, and I may even repeat some of the things. I think reprograming would jeopardize the missionary programs of religious organizations in a very serious way. Many church leaders are sincerely troubled by the suggestions from the State Department that they feel much of the value of the mission of the Holy See would lie in its effectiveness as a listening post. It has been suggested that the U.S. foreign policy would be set forward and some intelligence network would be available to our Nation by establishing such an informal relationship with the Roman Catholic Church.

If any credence at all is to be given to these suggestions, they pinpoint precisely what we oppose. This entanglement alliance would be the occasion for practical problems for those engaged in the far-flung missionary venture in developing countries and the December 26, 1982, Parade magazine makes a telling point. I quote:

> More than 70,000 Roman Catholic and 55,000 Protestant missionaries have gone abroad worldwide in the latter half of this century. In many cases, the native population welcomes them, but the government regards them with suspicion and resentment. One U.S. State Department official in Washington explains: "Communist regimes take a dim view of missionaries. They suspect them of ulterior motives, rightly or wrongly." Accusations made against missionaries include spying for the CIA, siding with dictatorial regimes, or sympathizing with rebels.

That is the end of the quote in Parade magazine.

Because of anti-American, antireligious, antidemocratic sentiments in many of the developing countries, missionaries and others representing religious institutions would actually become symbols of American governmental interests. Should this committee follow the unwise course of permitting the funding of the establishment of full dip-lomatic relations with any church, it would offer an occasion for misunderstanding, an invitation to chaos and confusion, and would place a burdensome albatross upon every American who represents religion overseas.

We believe also the appointment of an ambassador to the Holy See transgresses the established clause of the first amendment and tripartite test that was mentioned before. But I wanted to speak briefly about the third prong of the test, that the unconstitutionality of an appointment to the Holy See becomes most evident. The degree of entanglement of government and religion created by government's sending an ambassador to the Holy See is clearly excessive. The stated purpose of the ambassadorship is to tap into the church's vast information network.

America, a Jesuit magazine, editorialized in its December 24, 1983, issue on the appointment of an ambassador to the Holy See. The editors expressed concern that an ambassador to the Holy See would seek to exert pressure on the church to control the activities of the church in America. Their concerns were not far-fetched. Deputy Under Secretary Kenneth Dam, which Dr. Doerr mentioned, in hearings before a House Appropriations subcommittee to seek reprograming in this matter spoke of the worldwide program of the Vatican, such as food distribution and stated that "we will be able to influence the political positions" of the Vatican. This clearly is entanglement.

I have some other things I wanted to say. I hope you will take time to read them. For these reasons and the ones I have in the testimony, we request this subcommittee refuse to grant the State Department's request for reprograming of these funds.

Senator RUDMAN. Thank you very much, Mr. Baker. You can be sure that with all the time put into the preparation of these statements, the Members will read them carefully.

[The prepared statement of Mr. Baker follows:]

BAPTIST JOINT COMMITTEE ON PUBLIC AFFAIRS

PREPARED STATEMENT

on

State Department Request for Reprogramming of Funds
for the Establishment of an Ambassadorial Relationship
with the Holy See

I am John W. Baker, General Counsel of the Baptist Joint Committee on Public Affairs.

The Baptist Joint Committee on Public Affairs is composed of representatives from eight national cooperating Baptist conventions and conferences in the United States. They are: American Baptist Churches in the U.S.A.; Baptist General Conference; National Baptist Convention of America; National Baptist Convention, U.S.A., Inc.; North American Baptist Conference; Progressive National Baptist Convention, Inc.; Seventh Day Baptist General Conference; and Southern Baptist Convention. These groups have a current membership of nearly 30 million.

Through a concerted witness in public affairs, the Baptist Joint Committee seeks to give corporate and visible expression to the voluntariness of religious faith, the free exercise of religion, the interdependence of religious liberty with all human rights, and the relevance of Christian concerns to the life of the nation. Because of the congregational autonomy of individual Baptist churches, we do not purport to speak for all Baptists.

This testimony on the Department of State's request for a reprogramming of its appropriation to permit it to spend substantial amounts of public funds -- perhaps as much as $1,000,000 annually to start -- to staff and operate an embassy to -- not in -- the Holy See contends that: (1) approval of that request would result in the financing of bad public policy, (2) the Senate Committee on Appropriations has made policy decisions in the past and should do so in the instant case, (3) the basic policy as well as the request for reprogramming offends the establishment clause of the First Amendment, and (4) arguments supporting the appointment of and budget reprogramming for an ambassador to the Holy See may be refuted simply. I must emphasize that our opposition to reprogramming does not reflect an anti-Catholic bias.

1. Approval of the reprogramming request would be bad public policy.

Our purpose today is not to comment on the abilities of the present nominee to be Ambassador to the Holy See. This is not the proper forum for such comments. Rather, we insist that the appointment of any ambassador from this nation to the Holy See is in itself bad public policy which will create a multitude of problems -- some obvious and others as yet only potential. Such policy does not merit funding and, as will be discussed below, has serious constitutional flaws. We object to this reprogramming request for the following policy reasons:

a. Reprogramming would violate this nation's historic principle of church-state separation. Let us be more specific. Separation of church and state does not mean separation of God from government, separation of religion from politics or separation of religious persons from their civic duties. In the American tradition, however, it has clearly meant the institutional integrity of both church and state, a strict prohibition of the state's advancing or inhibiting any church or all the churches, a total ban on the meddling of the state in the affairs of the church and a complete rejection of the dominance of the church over the state, a refusal to tolerate favored status for any one church or group of churches or special privileges being afforded to the church by the state. This

American principle of church-state separation, at the very least, forbids the entanglement of church and state in precisely the fashion proposed by sending an ambassador of our government to the Roman Catholic Church.

b. Granting the reprogramming request would signify this Committee's approval of the circumventing of the democratic congressional processes. The late Congressman Zablocki's H.J. Res. 316 to repeal the 1867 ban on expenditure of funds for an ambassador to the Holy See was introduced in the House on June 30, 1983 and was referred to the Committee on Foreign Affairs and its Subcommittee on International Operations. Neither committee hearings nor floor debate on Mr. Zablocki's bill were ever held in the House. Senator Lugar, by unanimous consent, attached his companion S. 1757 as an amendment to the Department of State authorization bill for FY 84 and FY 85. The Committee on Foreign Relations had held no hearings on S. 1757. The authorization bill, as amended, was passed by a voice vote. (It has been reliably reported that there was not a quorum present at the time.) When the authorization bill came to conference, Mr. Lugar's amendment was agreed to as part of a larger package. The conference report required a simple up or down vote in each house. This smacks of a railroad. There was no time given at any stage for discussion of costs to the public or of the constitutional issues.

There is a legitimate question which can be raised as to whether the removal of the ban on an ambassador to the Holy See constituted a substantive authorization for which funds may be legally reprogrammed. But even leaving that issue aside, the propriety of the requested reprogramming may be questioned. When the reprogramming process was developed in the early 1970's, its purpose was to allow the administrative agencies to fine-tune their programs. It was never intended that it be used to allow the introduction of new and controversial programs of doubtful constitutionality like this request for nearly $1,000,000. By refusing this reprogramming request this Committee would provide time for the proposed ambassadorship to go through the normal and well-tried democratic processes.

c. Reprogramming could seriously jeopardize the missionary programs of religious organizations. Many church leaders are sincerely troubled by suggestions from the State Department that they feel much of the value of a mission to the Holy See would lie in its effectiveness as a "listening post." It has been suggested that United States foreign policy would be set forward and that some intelligence network would become available to our nation by establishing such a formal relationship with the Roman Catholic Church. If any credence at all is to be given to these suggestions, they pinpoint precisely what we oppose. This entangling alliance would be the occasion for practical problems for all those engaged in the far-flung missionary venture in developing countries. An excerpt from the December 26, 1982 Parade Magazine makes a telling point:

> More than 70,000 Roman Catholic and 55,000 Protestant missionaries have gone abroad worldwide in the latter half of this century. In many cases, the native population welcomes them, but the government regards them with suspicion and resentment.
>
> One U.S. State Department official in Washington explains: "Some regimes take a dim view of missionaries. They suspect them of ulterior motives, rightly or wrongly." Accusations made against missionaries include spying for the CIA, siding with dictatorial regimes or sympathizing with rebels.

Because of anti-American, anti-religious and anti-democratic sentiments in many of the developing countries, missionaries and other persons representing religious institutions would actually become symbols of American governmental interests. Should this Committee follow the unwise course of permitting the funding of the establishment of full diplomatic relations with any church, it would offer an occasion for misunderstanding, an invitation to chaos and confusion and would place a burdensome albatross upon every American who represents religion overseas.

2. **The Senate Committee on Appropriations is not a stranger to policy decisions.**

Some may argue that the Senate Committee on Appropriations and its subcommittees are not proper forums for discussing policy. Such an argument is without merit. Every decision on appropriations which this Subcommittee makes is a policy decision. True, the Subcommittee must operate within the parameters of the authorizations before it. But it makes serious value judgments -- or policy determinations -- whenever it decides which appropriation recommendations it will make to the Senate. That this is so is clear to each of you.

Further, all members of Congress take the same oath to protect and defend the Constitution of the United States. Congress is a co-equal branch of government with a responsibility under oath to follow the letter and spirit of the Constitution. That responsibility extends to all acts of Congress whether the individual member sits on a subject-matter committee or on the Committee on Appropriations.

Granting the request for reprogramming is a policy decision within the prerogative of this Subcommittee. Denial of that request is also a policy decision within your prerogative. You cannot avoid making public policy in this matter. We urge you to make good, sound, constitutional policy.

3. **Reprogramming to permit expenditures for an ambassador to the Holy See offends the separation of church and state required by the First Amendment.**

A reprogramming of State Department funds to permit William Wilson, or anyone else, to serve as ambassador to the Holy See is fraught with First Amendment problems. The establishment clause has been well litigated and the established precedents which are relevant to the issue under consideration today are clear. Perhaps the simplest statement was made by the Court in Everson v. Board of Education, 330 U.S. 1, 15-16 (1947). "The 'establishment of religion' clause of the First Amendment means at least this: Neither a state nor the Federal Government can . . . pass laws which aid one religion, aid all religions, or prefer one religion over another. . . . No tax in any amount, large or small, can be levied to support any religious activities or institutions, whatever they may be called, or whatever form they may adopt to teach or practice religion. Neither a state nor the Federal Government can, openly or secretly, participate in the affairs of any religious organizations or groups and vice versa."

The Supreme Court has developed a three-pronged test to determine when state action is not violative of the establishment clause:

(1) The action must reflect a secular purpose.

(2) The principal or primary effect of the action must not be either to advance or inhibit religion.

(3) The action must not:

  (a) excessively entangle government with religion

  (b) foster divisiveness along sectarian lines.

I would like to discuss briefly these tests as they relate to the appointment of an ambassador to the Holy See. You have a duty under the Constitution which you share with the Supreme Court to evaluate proposed actions in terms of the establishment clause of the First Amendment.

(1) The courts will usually assume a secular purpose when Congress passes an act. However, this Subcommittee, as a part of a co-equal branch of government, needs to examine its purpose in the instant matter. In his authoritative 1976 book, The Holy See and the International Order, Cardinal Hyginus Eugene Cardinale examines the nature of the Holy See. From his definitions -- "The term Holy See has three different meanings. Sometimes, as we have said, it denotes the Pope together with the central offices of the Roman Curia, formed of the sacred congregations, the tribunals and the various other departments. Sometimes it designates the Pope in his role as visible head of the Church,

possessing the apostolic primacy as successor of St. Peter. Finally, it sometimes indicates the spiritual organisation of papal government." (p. 82) -- it becomes clear that any ambassador to the Holy See is nothing less than an ambassador to the Roman Catholic Church. In that case, Congress' purpose--whether it was conscious or not--was religious and not secular.

(2) The appointment of an ambassador to the Holy See fails the second prong of the test for avoiding establishment clause violations. By selecting one church for such recognition, the Congress is expressing a preference for one church over the others. This it cannot do and still abide within the parameters of the First Amendment.

In Gilfillan v. City of Philadelphia, 408 F.Supp. 1161 (E.D.Pa. 1979), 637 F.2d 924 (3d Cir. 1980), cert. denied, 451 U.S. 987 (1981), it was held that the City of Philadelphia constitutionally could not use public funds to build a platform on which John Paul II performed strictly religious acts, in part on the grounds that such expenditures advanced a particular religion. The proposal before you is not identical but the analogy is clear: May public funds be expended to erect a political platform to further the ends of a particular religion even if the ends of our secular state are also advanced? I think not.

(3) However, it is on the third prong of the test that the unconstitutionality of an appointment to the Holy See becomes most evident. The degree of entanglement of government and religion created by government's sending an ambassador to the Holy See is clearly excessive. The stated purpose of the ambassadorship is to tap into the church's vast information network. This is patently entanglement. America, a Jesuit magazine, editorialized in its December 24, 1983 issue on the appointment of an ambassador to the Holy See. The editors expressed concern that an ambassador to the Holy See would seek to exert pressure on the Church to control the activities of the

Church in America. Their concerns are not farfetched since Deputy Secretary of State Kenneth Dam, appearing before a House Appropriations subcommittee to seek reprogramming in this matter, spoke of the worldwide programs of the Vatican such as food distribution and stated that "we will be able to influence the political positions" of the Vatican. This, too, is entanglement of a high order.

Also, the divisiveness along sectarian lines which this action has engendered is both widespread and deep. The very presence of many witnesses here today who are voicing opposition on religious liberty grounds against reprogramming which would permit the appointment of an ambassador to a particular Church is clear evidence that the issue before us today has produced divisiveness along sectarian lines.

4. Arguments for reprogramming to permit an ambassador to the Holy See can be succinctly answered.

For the record I would like to respond in a sentence or two to each of the major arguments which one hears favoring this reprogramming by the Subcommittee on Commerce, Justice, State, and Judiciary.

a. The Holy See may be distinguished from the Roman Catholic Church. This is nonsense. Cardinal Cardinale says the Holy See is "the supreme organ of the Church universal in its contacts with other members of the international community . . ." (p. 85) and, as quoted above, on page 82 of his book he talks of three different meanings of "Holy See" -- all of them differing ways of looking at the Church. It is clear that the Holy See has no political power except as it wields it through its influence as the Roman Catholic Church.

b. An ambassador to the Holy See would be the recipient of the product of a vast information network. I have already addressed this issue. But I would add further that the raison d'etre of that network is to serve and support the goals of the Roman Catholic Church and not those of the United States.

c. In appointing an ambassador to deal with Pope John Paul II, we are honoring a true man of God and a dedicated opponent of communism. We agree. We feel that this Pope is an outstanding Christian leader and hope that he has many more years of service ahead of him. However, he will not live forever. Is the suggestion that, following the selection of the next Pope, the United States will reappraise its commitment based on the personality of the individual selected? We would be better served not to become involved in the first place.

d. One hundred six states now have relations with the Holy See at the ambassadorial level. "Everybody else is doing it!" did not hold up as an argument when as a boy I said it to my mother. Neither is it a valid argument to President Reagan. On November 4, 1983, he said, "One hundred nations in the United Nations have not agreed with us on just about everything that's come before them where we're involved, and it didn't upset my breakfast, at all." "Everybody else is doing it!" is not a valid argument in the present case. The important point in any action to give diplimatic recognition to any religious organization is that the United States alone has a First Amendment which forbids such action.

e. This action will give the Pope more political leverage in his quest for peace and his struggle against communism. Is this not the same Pope who directed his priests and nuns to avoid political involvement?

f. Opposition to full diplomatic relations with the Holy See is an expression of anti-Catholic bigotry. This may be true in some instances but it is untrue and unfair to paint all opponents with the same brush. The main thrust of our opposition is support for a clear separation of church and state. We would object to the appointment of an ambassador to the Archbishop of Canterbury, who heads a worldwide Anglican Church, or to the World Council of Churches with its vast network of cooperating churches. The principle is the same in all cases: both church and state function at a higher level when they are effectively separated from each other.

Even if one assumes that, despite its haste and undemocratic procedures in repealing the 1867 act, Congress had good motives in opening the door to having an ambassador to the Roman Catholic Church, we are reminded by the court that "Good motives cannot save impermissible actions." Allen v. Morton, 495 F.2d 65, 72 (D.C.Cir. 1973) (federal funds for D.C. Christmas pageant unconstitutional). The good motives of the Congress cannot make this action permissible. The judicial power of the Congress should not be relinquished to the courts.

For the reasons stated above, we request that this Subcommittee refuse to grant the Department of State's request for the reprogramming of its funds.

NATIONAL ASSOCIATION OF EVANGELICALS

STATEMENT OF FOREST MONTGOMERY

Senator RUDMAN. Mr. Montgomery.

Mr. MONTGOMERY. Thank you, Mr. Chairman. I am here to represent the National Association of Evangelicals which has a constituency of 35 million. Tomorrow the President will address our annual convention. He is not expected to mention appointment of an ambassador to the Vatican.

We have yet to hear a cogent reason other than election year considerations for establishing formal diplomatic ties with the Holy See. Personal lines of communication with the Vatican have long been in place. The Pope has demonstrated that he can communicate in a jail cell or a palace. The lame suggestion that Mr. Wilson somehow cannot communicate adequately with the Pope unless we have full diplomatic ties simply is not credible.

The administration's unbridled enthusiasm for this unwarranted move remains untempered by the deep constitutional concerns of the Protestant religious community.

State Department witnesses have boldly asserted that the Vatican qualifies as a sovereign state. Assuming that the Vatican, in a theoretical sense, qualifies as a sovereign state under international law, we do not believe that empty technicality forecloses inquiry into whether establishment of diplomatic ties with the Holy See violates first amendment religious freedoms. That would be a triumph of form over substance.

We are gratified that members of this committee, mindful of their constitutional responsibilities, do not regard the administration's action as a fait accompli, but are seriously considering the first amendment issues raised by the request for public funds to support an ambassador to the Holy See.

When the Papal States comprise a nation with 16,000 square miles of territory and a population of several million, the chargé sent to that country during President Polk's administration was given the following instructions:

> All denominations of Christians stand on the same footing in this country. Your efforts, therefore, will be devoted exclusively to the cultivation of the most friendly, civil relations with the Papal government and to the extension of the commerce between the two countries.

This sensitive statement reflects a proper balance between church and state, a balance then possible because the nationhood of the Papal States was clearcut. But the duties of Mr. Wilson as Ambassador to the Holy See may not be similarly dichotomized, for no legitimate basis exists for regarding the Holy See as half nation, half church.

By any realistic appraisal, Vatican City is no different from an embassy compound in terms of its size, number of personnel jurisdictions, and status as foreign soil.

It has been familiar establishment clause doctrine since the 1947 *Everson* case that the Government may not prefer one religion over others. Yet that is precisely what the administration is attempting to do. As U.S. News & World Report states in its issue dated today, the establishment of diplomatic ties with the Holy See makes "the Roman Catholic Church the only denomination to enjoy such recognition by Washington."

I won't go into *Flast* v. *Cohen*. You have this in my statement. I would like to touch on *Gilfillan* v. *City of Philadelphia* where the court of appeals considered the constitutionality of that expenditure by Philadelphia of more than $200,000 to construct a special platform and to provide other extraordinary assistance for Papal ceremonies conducted by Pope John Paul II on October 3, 1979.

In holding that expenditure unconstitutional, the court of appeals approved the lower court's finding that the city's financial assistance "tended to promote divisiveness among and between religious groups," citing the Supreme Court's opinion in *Lemon* v. *Kurtzman*. Surely the establishment of full diplomatic ties with the Holy See has far greater potential for such divisiveness.

Pope John Paul II plays a significant role in world affairs. His influence as the head of a worldwide church is recognized by one and all. However, any marginal benefits that allegedly would accrue to the U.S. Government as a result of elevating Mr. Wilson to the rank of Ambassador to the Holy See are far outweighed by the erosion of familiar precepts of church/state separation and the inevitable damage to interchurch relations.

This committee is being asked to approve an unconstitutional expenditure of Federal funds. The State Department's reprograming request should be denied. Thank you, Mr. Chairman.

[The prepared statement of Mr. Montgomery follows:]

NATIONAL ASSOCIATION OF
EVANGELICALS

PREPARED STATEMENT

FOREST D. MONTGOMERY
Counsel, Office of Public Affairs

on

THE STATE DEPARTMENT'S VATICAN REPROGRAMING PROPOSAL

Mr. Chairman and Members of the Committee:

On February 2, NAE testified before the Senate Foreign Affairs Committee in opposition to the appointment of anyone to be an Ambassador to the Vatican; on February 9 we testified before a House appropriations subcommittee in opposition to the use of public funds for support of an Ambassador to the Holy See. My statement today supplements the arguments we advanced on those two occasions.

We have yet to hear a cogent reason for establishing formal diplomatic ties with the Holy See. Lines of communication with the Vatican have long been in place. The Pope has demonstrated that he can communicate in a jail cell or a palace. The lame suggestion that Mr. Wilson cannot communicate adequately with the Pope unless we have full diplomatic ties strains credulity. The Administration's unbridled enthusiasm for this move remains untempered by the constitutional concerns of the protestant religious community.

Those who support an Ambassador to the Holy See assert that the Vatican qualifies as a sovereign state. Assuming, for the sake of argument, that the Vatican in a theoretical sense qualifies as a "sovereign state" under international law, we do not believe that empty technicality forecloses inquiry into whether establishment of diplomatic ties with the Holy See violates First Amendment religious freedoms. That would be a triumph of form over substance. We are gratified that the members of this Committee, mindful of their constitutional responsibilities, do not regard the Administration's actions as a _fait accompli_, but are seriously considering the First Amendment issues raised by the request for public funds to support an Ambassador to the Holy See.

At a time when the Papal States comprised a nation with 16,000 square miles of territory and a population of several million, the charge sent to that country during President Polk's administration was given the following instructions:

> There is one consideration which you ought always to keep in view in your intercourse with the Papal authorities. Most, if not all the Governments which have Diplomatic Representatives at Rome are connected with the Pope as the head of the Catholic Church. In this respect the Government of the United States occupies an entirely different position. It possesses no power whatever over the question of religion. All denominations of Christians stand on the same footing in this country,-- and every man enjoys the inestimable right of worshipping his God according to the dictates of his own conscience. Your efforts therefore, will be devoted exclusively to the cultivation of the most friendly civil relations with the Papal Government, and to the extension of the commerce between the two countries. You will carefully avoid even the appearance of interfering in ecclesiastical questions, whether these relate to the United States or any other portion of the world. * * * (Emphasis added.)

This sensitive statement reflects a proper balance between church and state, a balance then possible because the nationhood of the Papal States was clear-cut. But the duties of Mr. Wilson as Ambassador to the Holy See may not be similarly dichotomized, for no legitimate basis exists for regarding the Holy See as half nation, half church. The Vatican is 99 44/100% pure church. That is its raison d'etre. As the World Book Encyclopedia (50th Anniversary Ed. 1966) Vol. 19, p. 228 states: "Vatican city covers only 108.7 acres. But it exercises spiritual sway over [more than 700 million] Roman Catholics." By any realistic appraisal, Vatican City is essentially no different from an embassy compound in terms of its size, numbers of personnel, jurisdiction, and status as "foreign soil."

It has been familiar Establishment Clause doctrine since the 1947 Everson case that the government may not prefer one religion over others. Yet that is precisely what the Administration has done, a fact duly noted by U.S. News & World Report which states in its issue dated today that the establishment of diplomatic ties with the Holy See makes "the Roman Catholic Church the only denomination to enjoy such recognition by Washington."

In Flast v. Cohen, 392 U.S. 83 (1968), the Supreme Court upheld the standing of taxpayers to challenge an appropriation of federal funds on the grounds that it violated the Establishment and Free Exercise Clauses. Said the Court: "Our history vividly illustrates that one of the specific evils feared by those who drafted the Establishment Clause and fought for its adoption was that the taxing and spending power would be used to favor one religion over another * * *." The Court held that the Establishment Clause "operates as a specific constitutional limitation upon the exercise by Congress of the taxing and spending power conferred by Art I, § 8."

In Gilfillan v. City of Philadelphia, 637 F.2d 924 (3d Cir. 1980), cert. denied, 451 U.S. 987 (1981), the Court of Appeals considered the constitutionality of the expenditure by Philadelphia of more than $200,000 to construct a special platform and to provide other extraordinary assistance for papal ceremonies conducted by Pope John Paul II on October 3, 1979. In holding that expenditure unconstitutional, the Court of Appeals approved the lower court's finding that the city's financial assistance "tended to promote divisiveness among and between religious groups," citing the Supreme Court's opinion in Lemon v. Kurtzman. Surely if the building of a platform for the Pope in Philadelphia tended to promote divisiveness of constitutional dimensions, the establishment of full diplomatic ties with the Holy See has far greater potential for such divisiveness.

Pope John Paul II plays a significant role in world affairs. His influence as the head of a worldwide church is recognized by one and all. Evangelicals join in applauding him for his tireless efforts on behalf of human rights, in the ideological struggle between East and West. However, any marginal benefits that allegedly would accrue to the United States government as a result of elevating our present relationship with the Holy See are far outweighed by the erosion of familiar precepts of church-state separation, and the damage to interchurch relations.

If we may speak bluntly, this Committee is being asked to sanction an unconstitutional expenditure of federal funds. The State Department's reprograming request should be denied as violative of the First Amendment.

BAPTIST GENERAL ASSOCIATION OF VIRGINIA

STATEMENT OF WILLIAM LUMPKIN

Senator RUDMAN. Our final witness of this panel is Dr. William Lumpkin.

Mr. LUMPKIN. Gentlemen, my name is William L. Lumpkin. I am minister of the Free Mason Street Baptist Church of Norfolk, Va., and president of the Baptist General Association of Virginia, an association of churches having an aggregate membership of approximately 600,000.

From its beginning in 1823, this general association has annually named a religious liberty committee and required that committee each year to report on church/state relations in our beloved country and on other factors affecting religious liberty.

The point of view I reflect here, I believe, is the point of view of the larger denominational entity, the Southern Baptist Convention which, with its 14 million members, comprises the largest Protestant group in America.

OPPOSITION ON CONSTITUTIONAL GROUNDS

Our vigorous opposition to the establishment of diplomatic relations between the Government of the United States and the Holy See rests solidly on constitutional grounds.

In our view, such a recognition of the Holy See violates the establishment clause of the first amendment of the Federal Constitution. That clause forbids the participation of the Federal Government in the affairs of religious organizations or groups and the participation of religious organizations in the affairs of government.

The Holy See is a religious entity which, for political reasons, claims that the Vatican City is a state. United States recognition of the Holy See constitutes an establishment of religion and entangles our Government in the internal affairs of the Catholic Church. When one church is granted a unique relationship with our Government, it will scarcely be possible to say where political and economic interests end and where ecclesiastical interests begin.

Over 100 foreign governments recognize the Vatican City as a state, but none of these has a first amendment which prohibits acts respecting an establishment of religion.

A transient expediency may argue for the establishment of diplomatic relations with the Holy See at this time, but the compromise of principle involved is to be viewed as far too dear a price to pay for temporary advantages. We regard the establishment of diplomatic relations with the Holy See as according preferential treatment to the Catholic Church and as contributing to interfaith tension and rivalry in our country.

If it advances the interests of our Government, it does so at the expense of the principle and tradition cherished for 116 years. If it serves the interests of the Holy See, it amounts to preferential treatment and a dangerous entanglement of the state with religion. After all, do not other religious groups maintain international offices? My own denomination maintains missions operations in over 100 countries, but it will not occur to us to invite or accept representation by any civil government at our mission headquarters. We cannot avoid seeing the appointment of a U.S. ambassador to the Holy See as a serious breach in the wall of separation between church and state.

And we regard the Senate as a final line of defense against this arrangement which we deplore.

GENERAL OPPOSITION BASED ON FIRST AMENDMENT

Senator RUDMAN. Thank you very much, Dr. Lumpkin. Let me say that you have presented for the record some excellent testimony, whether people agree with it completely or not. You certainly did articulate your position well, and we were happy to have you.

Let me ask just a couple of brief questions, and then I am going to yield to my colleague, the chairman of the full committee, Senator Hatfield. It is interesting that we have this testimony this morning in light of the schedule that is pending before the U.S. Senate starting today.

Am I correct in stating generally that each of you rests the major foundation of your case on the first amendment and all of the cases that have flowed from it? Is that a fair statement, or does somebody want to differ with that?

Mr. BAKER. Generally, this is true. The point I tried to make with the point about missionaries——

Senator RUDMAN. I understand that, but in terms of the unique position which we as Americans take, you all draw from the first amendment, from the establishment clause——

Mr. COGDELL. No, sir, our position is really only incidental relating to the first. We are glad we have a first amendment. If we didn't have one, we should try to have one. It is based upon the supposition that civil government is one area of authority, of human authority, and religious and spiritual affairs are another area of authority; as different from the secular and civil, the human is different from the animal. And it is wrong from every standpoint for the Government to intervene into this area which is out of bounds and beyond the purview of civil authority.

Senator RUDMAN. You state it in a philosophical way, but essentially that tends to parallel much of what the first amendment case law says. You base it on different grounds.

Mr. COGDELL. As James Madison said before there was a first amendment, James Madison in 1775 said it is the unhallowed perversion of the means of salvation. That is what we base it on.

CONSTITUTIONAL AMENDMENT ON SCHOOL PRAYER

Senator RUDMAN. So now we all agree on the facts. Let me go on from there to my next question, which will be enlightening for me. I would like to go down the table and ask each of you whether you support or oppose the President's constitutional amendment to allow prayer in school.

Mr. Ross. Yes, sir, we strongly oppose S.J. Res. 73 which you referred to, and we do so on constitutional grounds and specifically on first amendment grounds.

Mr. COGDELL. We strongly oppose it because we reject the intrusion of any coersion or compulsion into the area of religion, and the students are present at the school because of a compulsory attendance law of the school, not by their own free choice and volition, and the taxpayers are supporting the whole process by coersion by taxation, and they are involuntary participants in the worship and religious teaching process.

Senator RUDMAN. I suspect you may find that quoted here pretty soon.

Mr. Doerr.

Mr. DOERR. The five organizations I represent take the same position. We do not believe religion is something that can be easily homogenized and capsulated by government bureaucrats. If we want the administration to get government off people's backs, this would put government on children's backs, specifically, for the 2,000 and some days of their school lives they spend in class.

Mr. BAKER. The Baptist Joint Committee has opposed the prayer amendment. As a lawyer, I hated to be the one who brought up missionaries, and we will bring up this. We believe religious liberty is a Biblical as well as legal doctrine in this country. We believe the separation of church and state has theological implications as well. We are opposed to the prayer amendment as getting government involved in the process of religion. We feel the government is a secular body and should remain so.

Mr. MONTGOMERY. I feel a little bit on tenterhooks, and you can imagine why.

Senator RUDMAN. I thought so.

Chairman HATFIELD. The President will speak about this issue at your——

Mr. MONTGOMERY. I imagine. I would hazard that guess.

Senator RUDMAN. Can you distinguish between the two for me? I know your position. Very few lawyers ask questions they don't know the answer to. I know the answer to my question, but I want to get it on the record. If you could briefly tell me how your group, for which I have deep respect, distinguishes between these two positions.

Mr. MONTGOMERY. I think you may be surprised. Two years ago, I was here when Senator Hatfield testified with respect to the President's amendment, and I was taken much with his testimony which was addressed to the real issue, as he saw it and, incidentally, as we see it, that is one of equal access in the public schools.

Senator Hatfield, as you know, Mr. Chairman, has introduced legislation——

Senator RUDMAN. I am a cosponsor of that legislation.

Mr. MONTGOMERY. Fine. When we testified 2 years ago, we said that we applauded the President's efforts to promote national dialog on this issue, and we continue to applaud that. We think we need a discussion of voluntary school prayer, but there are really two dimensions to that issue, and they are being addressed at two different levels—one at the amendment level, constitutional amendment level, and the other at the level of legislation.

When we testified 2 years ago, we said that we thought the President's amendment could be improved and substantially improved by including a provision that would have had the effect of getting the Government out of the prayer-writing business and divorcing the Government from Government-instituted devotional activity. We did that, we said, because that would extend the Supreme Court's rational in *Widmar* v. *Vincent* to the high schools and junior high schools. That is what we had in mind then, and that is what we have in mind now.

As between those two courses of action, we really think the Government should not discriminate against students who want to have student-initiated prayer or other religious activity.

Senator RUDMAN. Thank you for your answer.

Mr. LUMPKIN. Like other Baptist bodies, the Southern Baptist Convention, in its official pronouncements, opposes the prayer amendment. You will find individual Baptists who may favor it, but that simply illustrates the validity of our composition and freedom.

Senator RUDMAN. I just want to comment to all of you that one of the curious things I find in this discussion with my own constituents in New Hampshire—and there is strong feeling in New Hampshire as elsewhere, on this issue—is that the very people who articulate most vocally the need for this amendment are the ones who pray in their homes, who make sure their children go to church or to the synagogue, or to whatever place of worship their faith dictates, who have an aura of religion in their homes already, and who least need prayer in school. It is the people who generally don't follow that kind of religious line in their lives who really have no feelings about it whatsoever.

My own view, of course, has long been that to put religion in the hands of teachers and in the hands of the school atmosphere—if we get to that point, we have lost. I yield to my colleague.

Chairman HATFIELD. I would just like to affirm the comment made by the chairman. I sit through many hearings and very few times have we had a panel, whether they agree or disagree with the position, that have prepared their statements in the very eloquent manner you have today. I only wish that I could get all of you on my telephone and in my mailroom to answer these letters that I am getting, these calls about school prayer because I am opposed to the school prayer amendment. As an active Baptist, I am getting "Hail Columbia" from all the Baptists across this country. I wish you would get this position out to your colleagues more.

I only want to say I think that we are entering into an area, not only with the prayer amendment, but with many other amendments that relate to the Constitution, that really challenge the historical position taken by our forefathers. We can start with James Madison who was so offended when he discovered that the Baptists who were preaching from the street corners were arrested because they didn't have a license from the Anglican Church in the Colony of Virginia. He became the father of religious freedom in this country. All of this has tended to put a focus upon the basic document of this country that we govern ourselves by.

CONSTITUTIONAL PROVISIONS

So your testimony, I think, adds to that question. Let us review these constitutional provisions. Again, whatever position is taken on this issue of the Ambassador to the Vatican, you have focused on the Constitution, it should create some thoughts, some reviews, some assessments. I think we have a tendency in this particular period of time to codify the Constitution rather than see it as a great framework of government.

People want everything in the Constitution. I am concerned because we only need two more States to call for a convention, I believe, to resolve for a convention, and if we got a constitutional convention with all these special interest groups around the country today, everybody electing their type of delegate and, as I understand it, once you call a convention, you cannot restrict it to any part of the Constitution; it opens the whole document up.

Whatever your view may be on this position today, it focuses in on the whole question of constitutionality, along with the prayer amendment, along with abortion, it brings us into a time in our political history when we should really understand what a constitution is supposed to be and what it is not supposed to be and to review how faithful we are to that constitutional framework.

As I understand, the Church of Christ you represent here today is the antecedent of the Puritans or antecedent——

Mr. COGDELL. Congregationalists who came over here were strictly congregations. There is no organizational logic.

Chairman HATFIELD. Your government is like the Baptists, we govern by anarchy.

Mr. COGDELL. When people ask you about this prayer amendment, ask them, do you think anyone should be compelled to attend any place of worship or worship service, do you, yes or no? They will say no. Well, the children are compelled to attend school, and if it becomes a place of worship and if there is a worship service held there, whether they are forced to participate in a worship or not, that is something else again, but to be forced to go where a worship service is being held, in a house of worship and that is what——

Chairman HATFIELD. Or, what Mr. Doerr said, on the other part of that coin, we trivialize that, we make it a ritual thing; it is not meaningful.

Senator RUDMAN. If the chairman would yield? I think it is insulting when people argue that we are going to have a nondenominational prayer.

Mr. COGDELL. There is no such thing.

Senator RUDMAN. Not that I know of.

Chairman HATFIELD. What I was getting to, when we talk about the problem of church and state, part of this whole heritage we have comes not out of the process of reclamation, but out of our own experience in a colony in Massachusetts where my antecedents were driven out of the colony by the Puritans who controlled the colony. Warren Rudman's antecedents were driven out of the colony by religious dominance of that one particular Protestant group. We have had our own experience here where one group has tended to politicize their organization enough to control the culture and destroy the pluralism that has made this country great. It comes out of our own experience as well, and we want to safeguard this.

I appreciate very much your comments.

Senator RUDMAN. Thank you all.

INTRODUCTION OF PANEL IV

We have one other panel on this subject. I would like to call Dr. Robert L. Maddox, Dr. Joseph T. Skehan, Dr. G. Weir Hartman, Dr. John M. Swomley, Jr., and Mr. John D. Bussey. We will have Dr. Maddox first, followed by Dr. Skehan, Dr. Hartman, Dr. Swomley, and Dr. Bussey.

Gentlemen, thank you very much for being here. I appreciate your coming before this subcommittee. We will proceed. I don't know if you were here earlier, but, as I have stated, each of your statements will be incorporated in the record in full. Because of time constraints, we have a number of panels today; we would like you to limit your testimony to the extent you can. I will start off with Dr. Maddox.

Panel IV

FUNDING FOR AN AMBASSADOR TO THE VATICAN

STATEMENT OF ROBERT L. MADDOX, EXECUTIVE DIRECTOR, AMERICANS UNITED FOR SEPARATION OF CHURCH AND STATE

ACCOMPANIED BY:

- **JOSEPH T. SKEHAN, PRESIDENT, NATIONAL ASSOCIATION OF LAITY**
- **G. WEIR HARTMAN, OHIO ASSOCIATION FOR PUBLIC EDUCATION AND RELIGIOUS LIBERTY**
- **JOHN M. SWOMLEY, JR., ST. PAUL SCHOOL OF THEOLOGY, REPRESENTING AMERICAN CIVIL LIBERTIES UNION**
- **JOHN D. BUSSEY, BAPTIST MINISTERS CONFERENCE OF WASHINGTON, D.C. AND VICINITY**

OPPOSITION TO VATICAN AMBASSADOR

Mr. MADDOX. Thank you. I am Robert Maddox and represent Americans United for Separation of Church and State. We vigorously oppose the appointment of an ambassador to the Vatican. I am fairly new back in Washington. I am going to find out how you get on the first panel. This is the second time I have done this. I am on the second and my speeches have pretty well been delivered. So in the interest of time and in the interest of your patience and fatigue, I just want to make two or three points in addition to what my colleagues have said.

We struggle with the Constitution these days like everybody else does, and we base our organization primarily on the constitutionality of this whole question. I have enormous respect for the Roman Catholic Church and for the present Pope. I stood in the rain to watch him and hear him speak, stood in a large crowd to be close to him and have great respect for him. So when somebody suggests that our collective concern is anti-Catholic, that is a misreading of the whole issue, but I am concerned about the devisiveness that this whole enterprise can invite into the religious community.

Many people are seeing this as an unfair advantage on the part of the Roman Catholic Church, and it deepens, exacerbates the feelings of animosity and perhaps even prejudices we hope are going away, but these kinds of things get stirred up again.

We would like to avoid this kind of episode. We all represent one kind of religious community one way or the other. We are more than happy to stand in line to get our ideas heard and our precepts put forward, but this gives the Roman Catholic Church an unfair advantage. It gives them a direct line to the White House or other seats of power in this country. We are not comfortable with that and we resent that.

Overriding all of this, perhaps, is an irony, an administration that came into office, talking about getting government off our backs seems to be bent and determined to intruding government even more deeply into the private realms of human conscience, on this area of religion, the prayer amendment that you talked about earlier and on this issue, it seems to be injecting itself in hitherto private and personal areas.

In addition to everything else my colleagues have said, most of which I agree with, I add these remarks and thank you very much for this time and thank you for putting my prepared statement into the record.

Senator RUDMAN. Thank you very much, Dr. Maddox. We will next reverse the panels.

Mr. MADDOX. I appreciate that.

[The prepared statement of Mr. Maddox follows:]

Americans United for Separation of Church and State

Testimony of:

Dr. Robert L. Maddox

Executive Director

Mr. Chairman and Members of the Committee:

My name is Dr. Robert L. Maddox. I am executive director of Americans United for Separation of Church and State, a 37 year-old national organization dedicated solely to the preservation of religious liberty through the separation of church and state.

Our members represent many different religious and political persuasions. But they are all united in their commitment to the idea that separation of church and state is good for religion and good for government.

We cherish and defend the marvelous religious diversity in the United States. We understand the contribution our spiritual communities have made to the nation. We pay personal tribute to His Holiness Pope John Paul II for his generous spirit, his personal courage, and his work on behalf of world peace and human rights.

We vigorously oppose the establishment of diplomatic relations between the government of the United States of America and any organization that is primarily religious in nature. And we ask this subcommittee to oppose any reprogramming of existing State Department funds or new appropriations of funds for that purpose. We insist that our concerns are not overdrawn ideological rhetoric. Our opposition comes from the deepest wells of concern over the threat to religious liberty this recognition portends.

We oppose the establishment of diplomatic relations between our government and the Holy See for the following reasons:

1. Funding of an ambassador to the Vatican is bad public policy. It would provide recognition for one religion over others. The surest way to establish a religion is to subsidize it, directly or indirectly.

2. Such recognition violates the Establishment Clause of the First Amendment of the federal Constitution, which states, "Congress shall make no law respecting an establishment of religion or prohibiting the free exercise thereof."

3. Such recognition invites excessive entanglement between church and state. In Everson v. Board of Education, 330 U.S. 1, 15-16 (1947), the Supreme Court stated: "The 'establishment of religion' clause of the First Amendment means at least this: Neither a state nor the federal government can set up a church. Neither can pass laws which aid none religion, aid all religions, or prefer one religion over another. . . . Neither a state nor the Federal Government can, openly or secretly, participate in the affairs of any religious organizations or groups or vice versa. In the words of Jefferson, the clause against establishment of religion by law was intended to erect a 'wall of separation between Church and State.'"

Allow me to draw two conclusions from this Supreme Court ruling:

a. The Holy See is a religious entity. Roman Catholic leadership readily admits the Holy See is a religious entity. Archbishop Cardinale, a prominent member of the Holy See's diplomatic service says, "The Holy See is the supreme organ of the Church universal in its contacts with other members of the international community." The Archbishop further says, in describing the various functions of the Holy See: "Sometimes it denotes the Pope together with the central offices of the Roman Curia, formed of the sacred congregations, the tribunals and the various other departments. Sometimes it designates the pope in his role as visible head of the Church, possessing the apostolic primacy as successor of St. Peter. Finally, it sometimes indicates the spiritual organization of the papal government." (The Holy See and the International Order by H. E. Cardinale. Colin Smythe Publishers, Gerrards Cross, England, 1976.) All this to say the Holy See is essentially a religious entity!

b. To grant this recognition is openly to prefer one religion over another. Through this move the United States government clearly indicates its preference for one religion over all the others. Many Protestant and Jewish groups correctly see this as governmental favoritism toward one church. They believe the Roman Catholic church is being accorded preferential treatment by this action. After all, the government is not sending an ambassador to the headquarters of other religious groups which maintain international offices.

Furthermore, this move accords to one church, and one church alone, a unique channel of communication to our government. Whereas every other religious group in the world will have to wait in line to have its views heard, the Roman Catholic Church can now stroll with impunity into the highest halls of government to promote its doctrines and ideals. The other religious communities are willing to compete in the market place to have their ideas put forth, but through this proposed action the Roman Catholic Church suddenly receives an unfair and inordinately preferential advantage in promoting its values and programs. That unequal access deeply offends our national sense of fair play.

4. Because of this unfair advantage, such recognition will lead to political division along religious lines. In Lemon v. Kurtzman, 403 U.S. 602, 622-23 (1971), the Supreme Court noted: "Ordinarily political debate and division, however vigorous or even partisan, are normal and healthy manifestations of our democratic system of government, but political division along religious lines was one of the principal evils against which

the First Amendment was intended to protect. . . . The potential divisiveness of such conflict is a threat to the normal political process. We have an expanding array of vexing issues, local and national, domestic and international, to debate and divide on. It conflicts with our whole history and tradition to permit questions of the Religion Clauses to assume such importance in our legislatures and in our elections that they could divert attention from the myriad issues and problems that confront every level of government. The highways of church and state relationships are not likely to be one-way streets, and the Constitution's authors sought to protect religious worship from the pervasive power of government. The history of many countries attests to the hazards of religion's intruding into the political arena or of political power intruding in the legitimate and free exercise of religious belief."

This divisiveness along religious lines seriously threatens the harmonious fabric of our democratic society. We run the risk of unnecessarily awakening the ghosts of religious bigotry from a past that has long been laid to rest.

5. Such diplomatic relationships would risk intervention by government in religious affairs and intervention by religion in government affairs, thus threatening the autonomy of the religious organizations or of the government. In Engel v. Vitale, 370 U.S. 421, 431-32 (1962), the Supreme Court said: "When the power, prestige and financial support of government is placed behind a particular religious belief, the indirect coercive pressure upon religious minorities to conform to the prevailing officially approved religion is plain. But the purposes underlying the Establishment Clause go much further. . . . Its first and most immediate purpose rested on the belief that a union of government and religion tends to destroy government and to degrade religion. . . . The Establishment Clause thus stands as an expression of principle on the part of the Founders of our Constitution that religion is too personal, too sacred,

too holy to permit its unhallowed perversion by a civil magistrate. Another purpose of the Establishment Clause rests upon an awareness of the historical fact that governmentally established religions and religious persecutions go hand in hand."

Many of our Catholic brethren have expressed fears and misgivings over this Administration's move into this delicate area of international law and church-state affairs. They fear that this Administration will attempt to silence the courageous and outspoken American Catholic bishops. They fear that this Administration will seek the Holy See's support for U.S. policies overseas. These sentiments have been expressed recently by such distinguished Catholics as Monsignor George Higgins, the Jesuit staff at America magazine. Father Jerry Fogarty of the University of Virginia, historian Francis X. Murphy, and writer Garry Wills.

Father Robert Graham, an American priest who works at the Vatican, expressed similar concerns in his definitive book Vatican Diplomacy, "The presence of a representative of the White House at the Vatican, with direct access to the Holy Father, is almost a direct invitation to interference in internal American Church affairs." (Princeton University Press, 1959)

We must stress that this is an unprecedented move. The diplomatic contacts we maintained more than a century ago with the old Papal States were of a different kind and character from that which will obtain in the coming years if the Congress ratifies this travesty against the U.S. Constitution. The Papal States was the civil government of central Italy, the Holy See of today is not. Under the 1848 agreement, according to Father Graham, "The United States disclaimed any desire or capacity to enter into discussion upon purely ecclesiastical matters. The American representative was to confine himself to economic and political matters." We have no assurance that this prohibition will be enforced in the future.

The Holy See is said to be an important listening post in the diplomatic world. While this may be true, it does not justify our nation's entering into a constitutionally impermissible relationship. Furthermore, there is no reason why our embassy in Italy cannot gather information necessary to our security.

President John F. Kennedy, himself a Roman Catholic and a staunch admirer of Pope John XXIII, insisted that U.S. relations with the Holy See were unconstitutional. I respectfully submit that this committee would do well to heed President Kennedy's statement, "I believe in an America where the separation of church and state is absolute."

We respectfully urge you to oppose a reprogramming of existing State Department funds or new appropriations of funds for the purpose of sending a U.S. ambassador to the Holy See.

National Association of Laity

STATEMENT OF JOSEPH SKEHAN

Mr. SKEHAN. Mr. Chairman, I am president of the National Association of Laity. At the end of our statement, we have included a printout from the New Catholic Encyclopedia. I want to thank the committee for allowing to impress our views and recommend that the Senate not fund the Vatican embassy. The Holy See is a bishop and his job is religion. Recognition tries to turn him into a secular state to push him out of religion and into international politics. We spent 200 years in this country, to some degree, getting religion out of secular politics and it has worked. We don't have messes like Vietnam, Ireland, Lebanon, Iran, Iraq, and the rest of the world wishes it could be here and not there.

Recognition threatens to degrade the American Catholic bishops, clergy, and laity in international politics and alienate what we have given to our clergy and religious leaders for purpose of carrying out religious works, not international politics.

The Holy See is but a few acres, none of the usual things associated with a secular state, not even family life. The one thing it does do is it banks. It also banked for the past 1,000, 1,500 years. Italy forced the Vatican to agree to pay one-quarter of a billion dollars to the Bank Impresano. So, in fact, Italy supervises even that function of that one secular function of the Holy See.

We have never recognized the Holy See contrary to the State Department. They only recognized the Papal States which were, in fact, a very real secular state. The reason we stopped, and there I think is the precedent we are invoking today, in 1867 a consular official, in order to hold open a Protestant church—according to the New Catholic Encyclopedia, not realizing what it is doing in terms of internal constitutional relationships and the cry led to opposing relations with the papal states. It was the Congress who did it by refusing to fund the consul.

To say other states have ambassadors, to be sure they are all which have state religions—England, Sweden—and they do recognize the Holy See, but this country is not Europe. This country has created a style and a way of handling one of the most delicate problems in civil politics in a very special way.

As an observer, yes; delegate, yes; Presidential representative, yes; not an ambassador. Thank you.

Senator RUDMAN. Thank you very much, Dr. Skehan.

[The prepared statement of Mr. Skehan follows:]

NATIONAL ASSOCIATION of LAITY

PREPARED STATEMENT

by

Dr. Joseph T. Skehan, NAL President

Mr Chairman:

The National Association of Laity (NAL), an independent Catholic lay agency, is described in the New Catholic Encyclopedia (NCE)[1] article attached hereto. As NAL President allow me to thank the Committee for the opportunity to address and to urge it to recommend the Senate NOT fund a U.S. Embassy to the Holy See.

Hasty formal recognition of the Holy See, a church, as an international civil state will create unprecedented clerical juridic personalities, generate profound, unstudied problems interpreting the Constitution of the United States and of the several States. It contravenes the sound, tested and proved direction of American system of Church/State relations, threatens harmony among Americans of diverse religions and that harmony among American churches known as ecumenism; it threatens the independence of U S Catholic bishops, clergy, religious and laity.

Ironically this comes at the very time when most of the world (even the Holy See at least in word, it not deed) has come to adhere to American wisdom in this critical area. Once more we betray our own traditions which have in sum made America the hope of the world.

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[1] Attached is NCE article and (a) a List of Sources (abbrev.) and (b) List of Sources Annotated, both with same enumeration system used throughout this text.

CHURCH

The Holy See is a church, the seat of the primus inter pares, the bishop of Rome, the first among ca. 3000 equal bishpps. That See runs the church.

The New Catholic Encyclopedia (IC3(i)) says canon law, diplomacy and current Catholic usage use the term to describe

> "the bishopric of the Pope and to his Curia, the Roman Congregations, tribunals and offices."

The Vatican's own experts agree; Iginio Cardinale, Vatican Chief of Protocol, 1961, calls it a churchin his book The Holy See and the International Order (II), 1975. Cardinal Casaroli, Vatican Secretary of State, 18 February 1984 when signing with Italy a revised treaty

> "stressed the independence and sovereignty of both church and state" (6A)

Our tradition would say separation of church and state, where the state establishes no religion (church) and does not inhibit free exercise of it.

Msgr. Laghi, now pro-nuncio, told the National Catholic Register (4A)his primary duty is to

> "foster unity between the local Church and the Holy See" -

clearly the business of a church!

NOT A CIVIL STATE

The Holy See consists of a basilica, residential palaces, offices, a garden, several extraterritorial churches, offices, catacombs and a summer palace- a few acres with no significant industry, commerce, agriculture or even family life. This is not a civil state.

Its banking, a significant function, is supervised by Italy. On 18 Feb. 1984 Italy demanded and the Holy See agreed to repay creditors of the Banco Ambrosiana $250 milliom dollars.(6A)

Confusion arises because up to 1870 there existed a civil state- The Papal States. To it the U.S. sent consuls and ministers until 1867. But the successor State was the Kingdom of Italy and now is the Republic of Italy, not The Holy See.

The only applicable precedent occurred in 1867 when Congress refused to fund the mission any longer. It's that precedent we invoke today.

Rome forbade a Protestant church to open. A State Department official put a U.S consular insignie over the church door, apparently placating Rome by compromising the distinctive American doctrine of church/state separation. Congress refused further funding. (IC3(i)(aa)).

Status of International Bodies
and
Channels betweenCChurches Observers

Both civil governments and churches can deal with each other and with international bodies without formal diplomatic recognition; they often use Observers.

The Holy See received Observers from the Patriachs of Moscow and Constantinople, Protestant Churches and Federations during the Council (1963-65). It sends Observers to many international bodies, e.g. United Nations and its agencies, the Council of Europe etc. I. Cardinale (cited supra) was Permanent Observer for the Holy See to Strasbourg.

The U.S., though a member state, and though representatives of member states are ambassadors, has to determine the status of the United Nations; many civil states contain the physical seat of other bodies such as ICEM, GATT, WHO, ILO, as well as the seats of parallel church bodies, e.g. World Council of Churches, Lutheran World Federation, Baptist World Alliance, Lambeth Conference etc.

How a civil state deals with such church bodies greatly depends on its own evolution. Most civil states have had or still have established churches; in all parts of the Spanish and Portuguese empires it was called the Patronato . Most states of this type have "recognized" the Holy See and/or maintain an embassy or ambassador to it.

The U.S. central government, unlike most of the original States, never established a religion. It was de facto a pluralist Union, if at first regionally; it confirmed that solution through the First Amendment in 1791. When the Fourteenth Amendment after the Civil War applied the First to the several States, only vestigial elements of the confessional state remained.

The Holy See - like any church - seeks freedom to act in religion. Evolving U.S. case law over 200 years limited taxes on church revenues and property, devised corporate (e.g. sole) forms for them to hold such property, avoided clashes by accepting opinions of church tribunals in religious matters as final etc. In sum the no-establish/free exercise scissors cut out a wide degree of freedom for religion in a very pluralist society.

The churches prospered; the U.S. Catholic church especially. The world has applauded.

UNPRECEDENTED CLERICAL LEGAL PERSONALITIES

"Recognition" makes the Holy See a civil state; the pope, a head of state; it generates ambassadors with all the privileges and immunities that pertain.

It's doubtful that the U.S. intends to "recognize" each major religious body here and abroad in the same way. Then there is clear special privilege accorded one church body over the others.

One can easily forecast how the churches so treated will react. One can imagine how they may react to Catholics, when some conflict arises.

The religious figure who is an ambassador does not fit into the elaborate evolution of case law this pluralist society has evolved in key areas of taxation, revenues, property titles et al.

Constitution of the U.S. and the States

The U.S.Constitution deals extensively with ambassadors and treaties:

Art. I, sec. 10	(1)	States may not make treaties
	(2)	or pacts with foreign powers
Art. II,sec. 2	(2)	President with 2/3 Senate consent may make treaties and appoint ambassadors
	(3)	Prefdent receives ambassadors
Art. III,sec 2	(1)	Judicial power extend to treaties - to all cases affecting ambassadors
	(2)	Supreme Court original jurisdiction- all cases affecting ambassadors
Art. VI,sec.2		all treaties Supreme law of the land State judges bound thereby -despite State Constitution or law
Amendments:		
First		not establish religion or hinder free exercise
Eleventh		Supreme Court extends by "doctrine of sovereign immunity - which ambassadors share

Confessional civil states, having evolved so differently, can deal with "recognition" far more easily; they don't have any first amendments, or such extensive constitutional jurisprudence dealing with ambassadors and treaties, or case law evolution cited above.

Mixing the two juridic systems produces grave discrimination. It will keep a lot of constitutional lawyers busy.

"Recognition" will change the status sooner or later of those swearing sweeping oaths of loyalty to the Holy See (including secret codicils). A bishop must swear such an oath before ordination; he is now swearing fealty to the head of a foreign state not compatible with U.S. citizenship.

Italy on 18 Feb. 1984 abolished the oath each new bishop had to swear before the President of Italy. Ironically Italy until last month a fully confessional state, has abolished large parts of the Patronato ; whereas the U.S. ,deviating from its fundamental tradition, embarks on it.

Effectiveness of the President's Personal Representative

FDR evaded all these problems of "recognition"; he used the device of the President's Personal Representative. Both sides used the channel effectively. JFK endorsed continuing it (See the House testimony of ex-U.S.Representative Swengle(Iowa) 9 Feb.1984).

The Holy See surely doesn't give information(or withhold it) to a super-power on the basis of recognition; it understands well the special evolution of American tradition that leans weightily against it and yet inspires world admiration.

The U.S. has gotten what it wanted under the old channel.

For 20 years OSS/CIA "observed" John XXIII. The first two agents were less than competent; the third, a scholar, produced "perceptive" reports.(5A1).

Archbishop Romero's diary reports that Casaroli told him a U.S. Ambassadorclaimed Romero's views and acts contravened U.S. Policy in San Salvador (V B)

The Holy See unilaterally abrogated the accord by which a Law School Dean ably served his constituents and the U.S. House Judiciary Committee; it promulgated a decree designed to force his withdrawal.

Similarly it pushed the Archdiocese of Boston to put its tax-free status in jeopardy ; Sunday before two primary elections all pulpits gave instructions to Catholics on the election. (SeeA.R.M. v-Regan (IRS) , 544 F. Supp. 47 (1982) S.D.,NY.

Catholics are concerned that it means that the Administration will tie our church to its policy in Poland or Latin America.(5B and C1) or seek to curb the freedom of our bishops (5A2 and 3; 3A and B; 4A3 and 7).

Might disinformation flow from Poland where the Times reports (6B) that 2000 Poles demonstrated against Cardinal Glemp 20 Feb.1984?

Looking over the recent past has religion played a big role in conflicts in Vietnam, Lebanon, Iran, Ireland, the Sudan , India, Pakistan?

The method preferred by FDR and JFK served well and didn't contravene our traditions.

U.S.Catholics and the Holy See

U.S.Catholics are very conscious that the separation doctrine has created a climate in which they prospered, came to value their fellow citizensof different faiths- in public school, at work, in the armed services during wars, in common efforts in the community.

Poll after poll shows that most Catholics in the U.S. are at odds with what Rome thinks important : re contraception, abortion, optional clerical celibacy, ordination of women et al. They regard prelates' intervention in civil politics as an attempt to usurp their citizen role in civil affairs.

Clearly "recognition" is not an initiative of the vast majority of U.S.Catholics. We have every reason to believe this "recognition" will aid Rome in its illicit efforts to curb our bishops, especially the women'religious orders, our theologians et al, as they have done in Holland.

See 5A2 and 4A3; 3A and 5C (1) & (2)).

Conclusion

Therefore the NAL urges the Committee to recommend the Senate act as it did in 1867, the precedent, and refuse to fund this embassy to the Holy See.

Respectfully submitted

Dr. Joseph T. Skehan
Preident, NAL

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local Church and the Holy See."
(2) p. 1 William Wilson (ambassador sedignate and currently the President's
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(1) "Foresaw only 'subtle' changes in his duties" (1)
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      "Italy Abolishes State Religion in Vatican Pact"
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            "further sign of waning secular power of the church."
        (2) "thorny issue....of taxation" given to "joint commission" to report
            in "six months"
        (3) "bishop. ..no longer... loyalty oath before the Italian president"
        (4) Vatican to pay $250 million "to creditors of the Banco Ambrosiano"
        (5) Secretary of State (Casaroli) "stressed the independence and soveriegnty
            of both church and state."
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      (1) "The reason... Cardinal Glemp's. ..to transfer the Rev .. .supporter of the outlawed Solidarity" (a pastor)
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IMPRIMATUR, September 27, 1978 Copyright, Catholic U., 1979

Volume XVII
Supplement: Change in the Church

NEW CATHOLIC ENCYCLOPEDIA

NATIONAL ASSOCIATION OF LAITY

Formation of the National Association of Laity (NAL)—until 1972, "of Laymen"—was inspired by the initiatives of Pope John XXIII and Vatican Council II's opening to democratic ideals. NAL, meeting some hierarchical resistance, was incorporated in Texas in 1967 as an independent entity to expedite the carrying out of Vatican II mandates.

To these ends NAL worked with social movements and with single-purpose groups and coalitions to curb racism, sexism, war, the arms race and to foster optional clerical celibacy, "due process" machinery, diversity in liturgies, women's ordination, collective bargaining rights, and professional academic standards. NAL demanded that church officials periodically report budgets, income, and wealth. Wide publicity stirred journalists to cover church finances and the NCCB to recommend public financial reports.

NAL took a position against the NCCB attempts to secure government funds for parochial schools and to reverse legislation of abortion (see ABORTION, US LAW). NAL helped defeat "parochiaid," notably in *Lemon v. Kurtzman*, 403 US 602 (1971), and to unite civic, religious, and educational agencies against it founded PEARL (Public Education and Religious Liberty, Inc.).

NAL has supported opposition to *Humanae vitae* as well as declarations that episcopal leadership in matters of sexual morality is bankrupt and that NCCB public policy statements are a threat to ecumenism. NAL has also joined with pro-abortion groups, e.g., Religious Coalition for Abortion Rights and Catholics for Free Choice.

NAL submitted to the bishops a plan for a national *pastoral council, called for by Vatican II (*Apostolicam actuositatem* 26). However, since 1973, the Holy See has halted implementation. NAL has also reacted against the step constituting the Council of the *Laity as pontifical and the grounds for the Vatican declaration against women's ordination. NAL saw many of its own objectives reflected in the 1976 *Call to Action Conference.

Because of negative response to its objectives from bishops and others, NAL chapters have dropped from twenty-nine to fourteen, membership from 25,000 (1973) to 1300 (1978). The decline correlates with 1978 National Opinion Research Center reports of a drop in Catholic church attendance from a rate of 72 percent to one of 42 percent between 1962 to 1977.

The NAL president has said that there is hope; that history spurns cultures politically democratic but ecclesiastically authoritarian and guarantees Vatican II prophetic mandates.

[J. T. SKEHAN]

OHIO ASSOCIATION FOR PUBLIC EDUCATION AND RELIGIOUS LIBERTY

STATEMENT OF G. WEIR HARTMAN

Senator RUDMAN. Dr. Hartman.

Mr. HARTMAN. Mr. Chairman, I guess I cannot say "and members of the committee," can I, but at least, Mr. Chairman, let me thank you for this opportunity because I want to assure you of the widespread and profound opposition of citizens in all areas where I live and work, to this proposal of an ambassadorship with the Holy See. And I am sure that this opposition is much more prevalent and intense than Members of Congress realize or are aware of.

The replies from numerous Senators lead me to believe there is a serious unawareness of the issues involved and of this opposition and for those who approve it, I feel a reliance on flimsy and unthought-out reasons.

The members of the association, which I am appointed to represent, are unalterably opposed to any recognition of the Holy See or any church.

Senator RUDMAN. Can you tell us again the name of that association?

Mr. HARTMAN. Yes, the Ohio Association for Public Education and Religious Liberty.

Senator RUDMAN. Thank you very much.

Mr. HARTMAN. Such a connection is unthinkable and incomprehensible in view of our U.S. Constitution and the historic stance on church/state relations for the reasons many of the witnesses have already brought out. It should never happen. We earnestly ask the U.S. Senate to reject the President's proposal, and we urgently request the President to withdraw what he has proposed.

Now the reasons given for establishing the ambassadorship to us are almost ludicrous and picayune, and to us it is apparent and I think it is apparent that this is a blatant and naked political move on the part of the President unworthy of Senate approval. That is the way we feel about it.

Recent disclosures show that there has been some conniving between the United States and the Vatican to provide safe escape for German war criminals. Is this the kind of conniving that is envisioned in this proposal? It kind of makes the United States, I think, the laughing stock of the world. We fought a terrible war to defeat facism and now we are to rush into an alliance with an organization that was set up between the facist regime of Mussolini and the Vatican.

Further, it is public knowledge that the Catholic bishops have taken a stand against nuclear policies of the administration. Is the Vatican ambassadorship the President's attempt to override the Catholic bishops and strengthen his hand with Papal approval for his political policies? It appears so. And if this is true, then this ambassadorship is doubly dangerous because it involves the U.S. Government in the tensions and the international affairs of a religious body. That disturbs us very much.

The President's claim that this is not an ambassador to a church is obviously, completely false because it is to the Holy See. We just can't think, Mr. Chairman, the Senate wants to add another million dollars annually to the already $200 billion deficit that has been set up and we think that if this ambassadorship is approved, Congress must accept responsibility for leading us down a dangerous path of animosity and strife. You know it has happened before in the United States and it can happen again. This is a step in that direction.

Let me point out one more thing. So many points have been made, more effectively made than I can make them, Mr. Chairman, but I have sat through the subcommittee of the House of Representatives on this, and I have sat through this committee thus far today. I haven't heard one witness in favor of the ambassadorship to the Vatican, not one. Every witness has been opposed, representing great blocks of our American people, and I think that ought to weigh heavily in the judgment of this body, the Senate of the United States.

Senator RUDMAN. Thank you very much, Dr. Hartman, for your testimony.

[The prepared statement of Mr. Hartman follows:]

PREPARED STATEMENT OF G. WEIR HARTMAN

OHIO ASSOCIATION FOR PUBLIC EDUCATION AND RELIGIOUS LIBERTY

Mr. Chairman and honored members of this committee, let me thank you for this opportunity, because I want to assure you of the widespread and profound opposition of citizens in all areas where I live and work, to this proposal of an ambassadorship with the Holy See. I am sure that this opporition is much more prevalent and intense than Members of Congress realize. Replies from numerous Senators lead me to believe there is a serious unawareness of this opposition and for those who approve it, a reliance on flimsy and unthought-out reasons.

The members of the association which I am appointed to represent are unalterably opposed to any recognition of the Holy See or any church. Such a connection is unthinkable and incomprehensible in view of our U.S. Constitution and historic stance on church-state relations. It should never happen, and we earnestly ask the U.S. Senate to reject the President's proposal. We urgently request the President to withdraw his proposal.

Reasons given for establishing the ambassadorship are almost ludicrous and picayune. To mention; for example, to upgrade a connection that already exists, or because 106 other countries have such ambassadorships, or that it will give us a better listening post, or that it will enhance our efforts for peace. All of these, we say, are without a shred of merit.

Recent disclosures show there was conniving between the United States and the Vatican to provide safe escape for German war criminals. Is this the kind of conniving that is envisioned in this proposal? It makes the United States a laughingstock of the world. We fought a terrible war to defeat fascism and now are we to rush into an alliance that was set up between the fascist regime of Mussolini and the Vatican?

Further, it is public knowledge that the Catholic bishops have taken a stand against nuclear policies of the administration. Is the Vatican ambassadorship the President's attempt to override the bishops and strengthen his hand with Papal approval for his policies? It appears so. If this is true, then this tie with the Holy See is doubly dangerous, for it involves the U.S. Government in the tensions and internal affairs of a religious body.

The President erroneously claims this is not an ambassador to a church. It is to the Holy See, the governing apparatus of the church. It is to a church. Also, the President receives the nuncio from the Pope. To say that it is not to the church or does not give special recognition to a church is untrue. It falsifies reality.

If I were a Senator, I would be ashamed and resentful of the way this matter has been forced upon me as a fiat accompli and with pressure to approve it. The President has rushed far ahead of Congress in announcing the ambassadorship long before Congress has voted to do so. Why this pressure? We urgently appeal to the Senate to reject this whole idea.

Further, it is incredible that Congress would even think of needlessly adding another nearly $1 million to the already $200 billion national deficit for a new program that is unnecessary, unwanted, dangerous, unconstitutional, and from which we have never heard one shred of good coming therefrom. Millions have been spent on the President's personal representative, yet no report has ever been given to the American people of one shred of value accomplished. On the contrary, there have been negative values to the shame of America.

If this ambassadorship is approved, Congress must accept responsibility for leading us down a dangerous path of religious animosity and strife. It has happened in past years and it can happen again. It is bound to enflame old religious prejudices and animosities to a dangerous degree. Senators, don't do it.

A multitude of solid reasons can be given against such a tie with the Holy See and not one worthy reason can be given in favor of it, unless to enhance the recognition and prestige of one church. We beg you to appropriate no funds for such an ill-timed and unthought-out program.

AMERICAN CIVIL LIBERTIES UNION

STATEMENT OF JOHN SWOMLEY

Senator RUDMAN. Dr. Swomley.

Mr. SWOMLEY. I am John M. Swomley, Jr., a member of the national board and executive committee of the American Civil Liberties Union, and I come from Kansas City, Mo.

The ACLU by a nearly unanimous vote of its 80-member national board has voted to oppose the establishment of diplomatic relations with the Roman Catholic Church and, therefore, any appropriation for what we believe is an unconstitutional purpose. Basically, our position is that of the first amendment. We believe diplomatic recognition to the Holy See, which is not a state but is headquarters of the church, violates both the establishment and free exercise clauses of the first amendment for the following reasons:

First, it gives one church preferential status in relation to the U.S. Government and, hence, changes the principle that all religious bodies in the United States have the same status and rights before the Government.

Second, the construction of an embassy building, the maintenance of a staff for the embassy, including salaries and travel, comes out of tax money and represents a yearly subsidy for consultations with one religious body.

I am skipping over some items in my testimony to speak of free exercise of religion which concerns us, and this would be a violation of the free exercise of religion by American Catholics and many others in that an ambassador to the Pope will permit the President regularly to interfere with statements or actions of the Catholic bishops and priests who publicly differ with administration policies.

For example, President Reagan sent emissaries to see the Pope on at least two occasions to curb the pastoral expression of the U.S. Catholic bishops in their pastoral letter on war and peace. Unofficial, but reliable reports, indicate that the Pope did intervene with respect to that document along the lines of President Reagan's request.

In Jesuit Father James Brockman's biography of Archbishop Oscar Romero, "The Word Remains: A life of Oscar Romero," we read an account based on Romero's diaries, of a meeting between Vatican Secretary of State Cardinal Agostini Casaroli and the archbishop. Casaroli told Robero that an American ambassador had visited him to express informally the U.S. Government's concern that Robero "was supporting a revolutionary line of action while the United States backed the Salvadoran junta."

The first amendment clause protecting the free exercise of religion was intended not only to prohibit direct government intervention, but also indirect overtures through a foreign prelate to stifle or alter the free exercise of religion.

There are, of course, additional questions raised by such diplomatic recognition. First, if the fiction holds that the United States is recognizing a state, does this make possible negotiation of a treaty known as a concordat, as the Pope has done with many other states?

Second, does it mean that the United States will pay the expenses of a visiting head of state, including his ceremonial activities in the United States?

In conclusion, I call your attention to the following motion adopted by the ACLU national board, and I quote:

> ACLU opposes the establishment of a formal diplomatic relationship with the Holy See, the center of religious authority in the Roman Catholic Church, because it represents a governmental preference of one branch of one faith over others, constitutes official recognition of a particular religious group, will inevitably lead to unacceptable levels of entanglement as, for example, in the application of the foreign agents registration act to the Catholic bishops as agents of the Holy See, interferes with the free exercise of religion, and violates the first prohibition of the first amendment, the principle of separation of church and state.

Senator RUDMAN. I will have a question for you. I will come back.

[The prepared statement of Mr. Swomley follows:]

PREPARED STATEMENT OF JOHN M. SWOMLEY, JR.
MEMBER, NATIONAL BOARD AND EXECUTIVE COMMITTEE
AMERICAN CIVIL LIBERTIES UNION

Mr. Chairperson and members of the Senate Committee on Appropriations: My name is John M. Swomley Jr., I am Professor of Christian Ethics at the Saint Paul School of Theology, Kansas City, Missouri, a member of the National Board and Executive Committee of the American Civil Liberties Union and chairperson of the ACLU Church-State Committee.

The ACLU by a nearly unanimous vote of its 80-member National Board has voted to oppose the establishment of diplomatic relations with the Roman Catholic Church, and therefore any appropriation for what we believe is an unconstitutional purpose. The idea that the Vatican is a state is a legal fiction, as it has none of the usual characteristics of a state. It is simply an alter ego for the Roman Catholic Church.

Diplomats are not accredited to the Vatican as a state but to the "Holy See" which is another name for the Papacy as a religious institution. There is no diplomatic mission accredited to the Pope as a temporal or state soverign. Instead, governments with such missions recognize the Pope in his religious and spiritual capacity.

In our considered judgment diplomatic recognition of the Holy See violates both the Establishment and the Free Exercise Clauses of the First Amendment of the Constitution, for the following reasons:

1) It gives one church preferential status in relation to the United States Government and hence changes the principle that all religious bodies in the U.S. have the same status and rights before the government.

2) The construction of an embassy building, the maintenance of a staff for the embassy, including salaries and travel, comes out of tax money and represents a yearly subsidy for consultations with one religious body.

3) The recognition of the Holy See gives official, symbolic approval of the Roman Catholic Church which the U.S. Government consults.

4) At the moment when Protestant and other churches are proposing that the Pope's role should be chiefly that of President of an ecumenical council, the Reagan Administration and hence the United States would recognize the special role of the Pope and the existing religious structure and thus undercut ecumenical discussions.

5) It is a violation of the free exercise of religion by American Catholics in that an ambassador to the Pope will permit the President regularly to interfere

with statements or action of the Catholic bishops and priests who publicly differ with Administration policies. For example, President Reagan sent emissaries to see the Pope on at least two occasions to curb the pastoral expression of the U.S. Catholic bishops in their Pastoral Letter on War and Peace. Unofficial but reliable reports indicate that the Pope did intervene with respect to that document along the lines of President Reagan's request.

Peter Hebbethwaite, the writer on Vatican Affairs for the National Catholic Reporter, wrote, "Those Protestants and Jews who have been alarmed at Wilson's appointment have nothing to fear. U.S. Catholics have more reason to be alarmed. For by this move Reagan has given himself another means of curbing the U.S. bishops.

"They already have upset him deeply with their pastoral letter on nuclear weapons. They have shown independence of judgment on Central America. And now they are girding themselves to deal with--the economy.

"In the future, a quiet word between Wilson and Casaroli (Vatican Secretary of State) in Rome, or Laghi (Papal Nuncio) at the State Department in Washington, could cool the bishops' radical ardor. All in all, and especially in an election year, it is a good deal for President Reagan." (National Catholic Reporter, January 27, 1984, p.5)

The Editor of the National Catholic Reporter noted that he is uneasy about the establishment of diplomatic relations because it may make it more possible for U.S. officials "to attempt to curb those Catholic voices who disagree with U.S. policies.

"Precedent exists. For example in Jesuit Father James Brockman's biography of Archbishop Oscar Romero, The Word Remains: A Life of Oscar Romero (Orbis 1983), we read an account based on Romero's diaries, of a meeting between Vatican Secretary of State Cardinal Agostino Casaroli and the Archbishop. Casaroli told Romero that an American Ambassador---had visited him to express informally the U.S. government's concern that Romero 'was supporting a revolutionary line of action while the United States backed the Salvadoran junta.'" (National Catholic Reporter, January 20, 1984,p.2)

The First Amendment clause protecting the "Free Exercise of Religion" was intended not only to prohibit direct government intervention, but also indirect overtures through a foreign prelate to stifle or alter the free exercise of religion.

There are of course additional questions raised by such diplomatic recognition.

1) If the fiction holds that the U.S. is recognizing a state, does this make possible negotiation of a treaty known as a concordat as the Pope has done with many other states?

2) Does it mean that the U.S. will pay the expenses of a visiting head of state, including his ceremonial activities in the U.S.?

In conclusion I call your attention to the following motion adopted by the ACLU National Board: "ACLU opposes the establishment of a formal diplomatic relationship with the Holy See, the center of religious authority in the Roman Catholic Church, because it represents a governmental preference of one branch of one faith over others, constitutes official recognition of a particular religious group, will inevitably lead to unacceptable levels of entanglement (as, for example, in the application of the foreign agents registration act to the Catholic bishops as agents of the Holy See), interferes with the free exercise of religion, and violates the first prohibition of the First Amendment, the principle of separation of church and state."

Baptist Ministers Conference

STATEMENT OF JOHN BUSSEY

Senator RUDMAN. Mr. Bussey.

Mr. BUSSEY. Mr. Chairman, my name is John D. Bussey, and I am the speaker for the Baptist Ministers Conference of Washington, D.C., and vicinity. Our organization is a body of more than 500 Baptist ministers, ordained and other pastors and other ordained ministers in and around the District of Columbia.

When we heard about this affair, I was authorized to come and speak, and I appreciate the opportunity.

Senator RUDMAN. We are delighted to have you here.

Mr. BUSSEY. Let me say, as I look around, when I get through, we can say now we have it in black and white.

Mr. Chairman, we oppose this on the following grounds:

No. 1, it is absolutely an unnecessary expense on the taxpayers of this Nation. There is nothing to be gained from an ambassadorship to the Vatican that cannot now be obtained through regular, ordinary, or common channels of mutual communication with the Vatican.

No. 2, it violates the first amendment of the Constitution of the United States in that it favors and, thereby, respects one religion over all others. There is only one way Vatican City could qualify for a U.S. ambassadorship, the Pope would have to be completely separated from the Vatican City. We are convinced that the Roman Catholic Church, the Pope, and Vatican City are an inseparable entity.

No one, in the third place, seeking the approval of the U.S. funds to finance this ambassadorship has satisfactorily explained just what additional information or benefit the President and the United States would receive from the Pope, which is not now available, except, of course, the pomp and pageantry of the office.

No. 4, according to the Catholic Standard of February 23, a bit better than 2 weeks ago, the Vatican and the Italian Government struck an agreement that they say clarifies the respective parties' position on separation of powers. Much is said of the new freedoms achieved in this agreement. The statement included a statement saying of the 44 articles in the concordat, only 15 are left to be resolved. A copy of this article is enclosed.

Mr. Chairman and members of the committee, of all that was achieved in this agreement, as I read it, it stands to reason still that the Pope was not separated from the dual headship of Vatican City and/or the Roman Catholic Church, and the freedoms which the Vatican is just now touting as great and noble are but those freedoms and separation of church and state which the fathers of our Constitution sought to guarantee as common right and privilege to U.S. citizens in 1791.

We further oppose the appropriation of any ambassador to the Vatican on the grounds that the President seems in his appointment to have violated article II, section 2, item 2, covering the powers of the President which states, "and he shall nominate and by and with consent of the Senate shall appoint ambassadors," et cetera. It appears to us the President, without the advice and consent of the Senate, both nominated and appointed Mr. Wilson ambassador to the Vatican.

As we see it, article ii, section 2 and item 2, the President has the power to nominate, but never to appoint ambassadors without the advice and consent of the necessary majority of the Senate.

Are we correct in concluding that the appointment has already been made? Evidently, the Roman Catholic citizens think so. A cartoon appeared in the Catholic Standard, a weekly published standard of the Archdiocese of Washington, February 2, 1984, in which Mr. Wilson is pictured standing before the Pope with a halo over his head. The Pope is saying, as Mr. Wilson stares in amazement at the halo, "It goes with the job."

Senator RUDMAN. It doesn't go with this one, Mr. Bussey.

Mr. BUSSEY. We call upon the members of this Senate subcommittee on appropriations to categorically deny any funds whatever for the support of this unfair, unreasonable, and insensitive appointment. The United States will suffer great loss and achieve no gain from such an appointment.

Thank you, again, for the privilege to have been heard.

[The prepared statement of Mr. Bussey follows:]

Baptist Ministers' Conference
D.C. and Vicinity

PREPARED STATEMENT OF JOHN D. BUSSEY

My name is John D. Bussey. I am pastor of the Bethesda Baptist Church of Washington, D. C. I am also a member of the Civic and Social Action Committee of the Baptist Ministers' Conference of Washington, D. C. and Vicinity. The Baptist Ministers' Conference is an organization of Baptist ministers with a voluntary membership of more than five hundred pastors and other ordained men in the Christian ministry (Baptist).

We the President, Officers and members of the Baptist Ministers' Conference of Washington, D. C. and Vicinity unalterably oppose the appropriation of any funds from the U. S. Treasury for the President's appointment of Mr. Wilson to the Ambassadorship of the Vatican. We implore you, Gentlemen, to deny the appropriation of funds for this office on the following grounds:

1. It is absolutely an unnecessary expense on the taxpayers of this nation. There is nothing to be gained from an Ambassadorship to the Vatican that cannot now be obtained through regular, ordinary or common channels of mutual communication with the Vatican.

2. Mr. Chairman, we further oppose this appropriation on the grounds that it blatently violates the First Amendment of the United States Constitution in that it favors (and thereby "respects") one religion over all the others. There is only one way Vatican City could qualify for an United States Ambassadorship— the Pope would have to be completely separated from Vatican City— We are convinced, that the Roman Catholic Church, the Pope, and Vatican City are an inseparable trinity.

3. No one seeking the approval of United States funds to finance this Ambassadorship has satisfactorily explained just what additional information or benefit the President and United States would receive from the Pope which is not now available. (except of course, the pomp and pageantry of the office)

According to testimony given by the representatives from the State Department before the House of Representatives' Committee on Commerce, Justice, State and Judiciary on February 9, 1984, the proposed establishment of an Embassy would not be located in Vatican City. "There is no space available 'in Vatican City,'" they explained. They further stated that the Embassy would be located "just outside Vatican City."

It is the conviction of the Baptist Ministers' Conference of Washington, D. C. and Vicinity that the new Embassy would then be located in Rome (territory of the Italian government) establishing for us two United States Embassies in Rome.

4. According to the Catholic Standard of February 23, a bit better than a week ago, the Vatican and the Italian government struck an agreement that "clarified" the respective parties' positions on the separation of powers. Much is said of the new freedoms

achieved in this agreement. The statement concluded by saying that of the forty-five articles in the Concordat only fourteen are left to be resolved. (A copy of this article is enclosed)

Mr. Chairman, and members of the Committee, of all that was achieved in this agreement, it stands to reason still, that the Pope was not separated from the dual headship of Vatican City and the Roman Catholic Church.

The freedoms which the Vatican is just now touting as great and noble are but those freedoms and separations of church and state which the Fathers of our Constitution sought to guarantee as common right and privilege to United States citizens in 1791.

5. The Baptist Ministers' Conference of Washington, D. C. and Vicinity further opposes the appropriation for an Ambassadorship to the Vatican on the grounds that the President seems in this appointment to have violated Article II Section 2, item (2) covering the "powers" of the President which states, ... and he shall nominate, and by and with consent of the Senate, shall appoint ambassadors, etc., etc."

It appears to us that the President, without the advice and consent of the Senate, both nominated and appointed Mr. Wilson, Ambassador to the Vatican. According to the sense of the above mentioned Article II and Section 2 and item (2), the President has the power to nominate, but never to appoint ambassadors without the advice and consent of the necessary majority of the Senate.

Are we correct in concluding that the appointment has already been made?

Evidently the Roman Catholic citizens think so too. A cartoon appeared in the Catholic Standard, the weekly publication of the Archdiocese of Washington of February 2, 1984, in which Mr. Wilson is pictured standing before the Pope with a halo over his head. The Pope is saying to Mr. Wilson as he stares in amazement at the halo, It goes with the job."

We call upon the members of the Senate Sub-committee on Appropriations to categorically deny any funds whatever for support of this unfair, unreasonable and insensitive appointment. The United States will suffer great loss and achieve no gain from such an appointment.

Thank you again for the privilege to have been heard.

The Baptist Ministers Conference Of
Washington, D. C. and Vicinity
1611 Benning Road, N. E.
Washington, D. C. 20002

Rev. Milton A. Covington President
(Rev.) Milton A. Covington, President

John D. Bussey
(Rev.) John D. Bussey, Authorized Speaker

New Concordat changes status of the Church in Italy

By John Thavis
NC News Service

ROME — The Vatican and Italy signed a revised Concordat on Saturday that reduces some of the Church's privileges in Italy and declares Church and state to be "independent and sovereign."

The new treaty removes Catholicism as the state religion, makes Catholic religious instruction in state schools optional and gives civil authorities the authority to review Church marriage annulments.

Many areas covered by the previous treaty are omitted in the revised Concordat, with responsibility left to the Italian Bishops' Conference to work out agreements with state authorities.

THE NEW CONCORDAT also drops the reference to "the sacred character of the eternal city" of Rome. Instead, it notes the "particular significance of Rome for Catholicism."

The revisions reduce the Concordat from 45 articles to 14.

The treaty replaces the Concordat signed by the Vatican and Italian dictator Benito Mussolini in 1929. The new, shorter version is the result of 15 years of difficult negotiations, and reflects changes in the way Italy and the Church view religious freedom.

Pope John Paul II noted the "historic importance" of the Concordat the day after it was signed by Vatican Secretary of State Cardinal Agostino Casaroli and Italian Prime Minister Bettino Craxi.

"This was a treaty that Paul VI had foreseen and encouraged, as a sign of renewed agreement between the Church and the Italian state," the Pope said during his Sunday Angelus blessing in St. Peter's Square.

THE TREATY will take effect after it is ratified by the Italian Parliament. Little opposition to the accord is expected in Parliament, which in January voted overwhelmingly to support the government's negotiating position.

Before the ratification vote, however, the treaty stipulates that a joint commission of Italian bishops and civil authorities must agree on the thorny issue of the tax status of Church organizations in Italy.

Article 1 speaks of the "process of political and social transformation" in Italy since 1929. It adds that the revisions will bring Church-state relations into conformity with the Italian Constitution and with the Second Vatican Council's "Declaration on Religious Liberty." The Vatican II declaration stressed the civil rights of all religions, as distinct from privileges enjoyed by a Catholic majority.

CARDINAL CASAROLI, at the signing ceremony, called the new Concordat "an instrument of agreement, not of privilege."

According to one Vatican source who is well informed about the Concordat negotiations, many of the privileges dropped in the new treaty were outdated ones that the Vatican no longer wanted to protect.

He described the treaty as a fair one that stresses mutual respect by Church and state and which recognizes the growing secular nature of Italian society.

During the negotiations to revise the treaty, Italian law began reflecting the growing secular nature of society. Italy legalized divorce and abortion despite strong opposition from the Vatican and the Italian bishops. Church-backed referendums to repeal the divorce and the abortion laws failed.

THE TAX-EXEMPT STATUS of existing Church organizations outside the Vatican is not expected to change after the negotiations between the Italian bishops and the government. But government officials have indicated that such organizations may be subject to closer scrutiny by Italian finance authorities to make sure that their activities are strictly religious.

The treaty gives the Church the right to perform its pastoral mission, the right to oversee dioceses, priests and other institutions, freedom to establish schools, and the right to minister in public institutions such as hospitals and the armed forces.

It recognizes Sundays as holidays, along with Catholic religious feast days to be agreed upon later. It protects Church buildings, and calls on Church and state to work together to protect the country's historical and artistic treasures.

Priests, deacons and members of religious orders continue to be exempt from military service, but will be required to perform a civil service instead.

EXTERNAL VERSUS INTERNAL DEALINGS OF UNITED STATES

Senator RUDMAN. Thank you very much.

Let me ask a question of you, Mr. Swomley. We are going to try to keep these answers limited, because we could have a discussion lasting all day on this. I would probably enjoy that a lot more than what I would do with the rest of this day.

I will depart for a moment from the constitutional debate here. Let me simply say that if I want to play devil's advocate for a moment, I think I can make a strong argument rebutting the constitutional arguments presumptively; but whether that carries or not, I simply want to go hypothetically from the fact there is a constitutional question here.

There are many people, just to give you the line of legal thought here, who will say when you are talking about external dealings of the United States, as opposed to internal dealings, then you have a real difference in terms of what the Constitution means. The first amendment is an amendment that has domestic application and we are talking about something now overseas that has no relation to Americans or their freedom. I am not saying I abide by that argument, but we will leave it for a moment and go to a far more practical debate that is taking place, which you addressed directly on behalf of your very respected organization. That is this:

When any organization, including a church, takes a position that really is on a civil matter, not a religious matter, although it is hard sometimes to separate where things are said to be done in the name of religion, in these matters, such as the nuclear freeze, birth control, and hunger questions around the world, doesn't the U.S. Government have a right to intervene to try to influence those organizations, be they secular or religious? No one can argue that, as an organized religion, the Holy See, namely the Pope, his secretary of state, and his apparatus, is not in a position in terms of visibility and size to take positions which, in some cases, might be troubling to any U.S. administration. Shouldn't the U.S. administration have the right to go and negotiate with that very powerful force? Isn't that something we have to look at as Members of the Senate?

I won't tell you how I feel. I will ask you all to comment.

Mr. SWOMLEY. First of all, Senator, we start with the assumption that the United States is a government of the people, by the people, and for the people, and that the Government of the United States should be responsive to that, not trying to influence the churches of the Nation.

The second thing is the Constitution provides, and long before the Bill of Rights, that there should be no religious test for public office or for any position of public trust. There is nothing in the Constitution that is intended to keep churches or any religious body from expressing themselves politically or taking political positions.

All of the churches have this right. When the Government interferes with that action by citizens and by churches, then the Government is interfering with the free exercise of religion. If there is any question about that, we need to take a look at the Biblical tradition. The prophets were very heavily engaged in politics when they indicted and criticized the king. In the New Testament, the same thing is the case. There has never been, within Judaism or the Christian faith, this dichotomy of politics and religion.

Religion is concerned not only with what is normally talked about as spiritual matters, but also with the violations of the State and the Government of any ethical standards.

Senator RUDMAN. May I interrupt for a moment to give you a hypothetical question: If the Soviet Union decides to continue its compulsory conscription and is bent on world domination in the eyes of the leaders of this country, right or wrong, and builds an enormous armed force and is getting ready to do all sorts of very nasty things, which will mean the end probably of all religions and the Pope at that time, the year 2005, tells all of his followers that it would be a sin to serve in the armed forces of any country which then passed a draft law and all Catholics of this country are told that if you go into the armed forces, you are committing a sin in your religion, then do you mean to say that the U.S. Government at that point doesn't have a right through diplomatic means to try to convince the Holy See that they are jeopardizing this country and themselves? Do you mean that is hands off as far as the ACLU is concerned?

That is an expanded hypothetical question, and as one looks to the future, who knows what may happen. I just ask you the question.

Mr. SWOMLEY. In the first place, I don't believe Roman Catholics in this country by and large accept judgments by the Vatican any more than Protestants accept judgments by their religious leaders with respect to what each of them considers his or her conscience.

The question, however, is not one of whether the Soviet Union is going to do all of this, but whether both governments are going to do it because the Soviet Union has at least acknowledged it will accept a nuclear freeze and this Government has not. I think it is unseemly and unconstitutional for this Government to try to interfere with the religious activities of the churches of this country, regardless of what the Soviet Union does in its sphere or any place else.

Senator RUDMAN. If I understand your answer, you are saying that there should be no effort whatsoever on the part of our Government or any government, to interfere with whatever the leaders of organized religion wish to do in the name of religion, be it civil or otherwise. To let the people decide is essentially your answer.

Mr. SWOMLEY. Let me say, first of all, I come out of a free church tradition where the leaders don't determine policy. Second of all, I think the Second Vatical Council has given a certain amount of leeway to bishops of various countries and the Roman Catholic bishops in this country have taken a clear position on certain issues.

The problem in this, and I come from the city where the National Catholic Reporter is published, and I am in agreement basically with the editor of that paper, the problem here is that the President wants to influence the Catholic bishops away from a position they have taken or were in the process of taking so that it would conform to administration policy. I think that is both unethical, I think it is unconstitutional, and I think the President ought to be discouraged by the Senate from any such intervention in any church in this country.

Senator RUDMAN. Thank you for your answer.

Mr. HARTMAN. May I say, Mr. Chairman, that this channel is open any time the President wants to send a representative to consult the Pope. He doesn't have to set up by ambassadorship with the special recognition that that gives to one church. At the House Appropriations Committee, we heard that there isn't even room in the Vatican to have the embassy; it has to be outside the Vatican. Now, do we have to set up that kind of a million-dollar-a-year channel in order for the President to have access to the Pope if he wants to consult him?

It seems to us that this is such a naked political move on the part of the President, for reasons that are unjustified, interfering in the internal affairs of the church, as Dr. Skehan has pointed out, and as Dr. Swomley has said, and some Catholic spokesmen have said, this is really getting into the intentions and internal affairs that are no business of the U.S. Government at all.

Senator RUDMAN. Would you like to comment? Then we have to wind up.

Mr. MADDOX. I hear what Dr. Swomley is saying, and I think I get essentially what you are asking, as a practical matter, if any religious leader makes some kind of bold statement and looks like he is going to garner a lot of support, any President, particularly if it flies in the face of what the President wants, is going to try to deal with that. As Mr. Hartman says, we are talking about apples and oranges here. It is one thing to influence, to try to persuade, which is fair game, and the other is, when you establish formal diplomatic ties, we are not objecting——

Senator RUDMAN. There is a difference in positions here, but I understand what you are both saying. I want to get that in the record. Certainly, we have a great contemporary in this example, probably the greatest, in any use of the term, "religious leader" in this country in this century—Martin Luther King. Every President and every major leader in this country had a great deal to do with Dr. King to try to work out what it was he was trying to do.

Obviously, Dr. Swomley had my question very much in mind, and it is my personal view that there has to be a way to accomplish this. I will allow you a quick comment, Dr. Skehan.

Mr. SKEHAN. If you are going to recognize a foreign state and you look at the oaths which bishops take and the secret codiciles sometimes attached to those, if you make this an oath to a foreign power, what are you doing to our bishops? What are the Jesuits saying about this, the men trapped internally? Why does the Soviet Union also take the same position not to recognize the Holy See? It is not recognizing the church and you get into—what happened to the Russian Orthodox Church? They got too damn close and were wiped out overnight.

Senator RUDMAN. I want to say to this panel what I said to the last one. Your testimony has been extremely helpful, very cogently presented, and we thank you for helping us with this very——

Mr. SWOMLEY. Senator, could I make one distinction? I think the President of the United States can speak any time he wants, to any citizens of the United States or to the selective citizen. There is a difference between trying to influence citizens and going directly to influence churches to change the minds of the church people.

Senator RUDMAN. One is called a shortcut.

Mr. SWOMLEY. I understand.

Mr. HARTMAN. May I ask a question, Mr. Chairman, please? How is this testimony going to be conveyed beyond this committee?

Senator RUDMAN. Dr. Hartman, let me tell you, that is the problem of this body. Every Member of the U.S. Senate serves on several committees—myself I serve on five subcommittees of the Appropriations Committee; I serve on three subcommittees of the Governmental Affairs Committee, chairing one of those, and I chair a Small Business Committee. Today, this week, there will be thousands of pages of testimony before just the committees I sit on. My staff will have to tell me what of that testimony they think is important for me to read. I can't read it all. This issue is important enough that when the hearing record is produced and this comes to a debate before the full committee, we hope that those who share your view will quote liberally from your testimony and will use it on the floor of the Senate, but to tell you that a majority or even a substantial percentage of the Members of the Senate will have an opportunity to read this very good testimony before us this morning is just not so. Thank you.

INTRODUCTION OF PANEL II

Mr. Bruce Christensen and Mr. Donald Mateer. From metaphysical matters, we will get down to some hard dollars and cents, I suspect. Mr. Christiansen, you are president of the National Association of Public Telecommunication Stations. Mr. Mateer, you are president of McCreary Tire & Rubber Co. in Pennsylvania and representing the Industrial Policy Council. Your total statements will be in the record at the appropriate point to consider the things you are concerned with.

Panel II

COMMERCE DEPARTMENT PROGRAMS

STATEMENT OF BRUCE CHRISTENSEN, PRESIDENT, NATIONAL ASSOCIATION OF PUBLIC TELEVISION STATIONS

ACCOMPANIED BY DONALD MATEER, PRESIDENT, McCREARY TIRE & RUBBER CO.

FACILITIES PROGRAM APPROPRIATION

Mr. CHRISTENSEN. I would like to thank you, Senator, for the opportunity to be here this morning to testify on behalf of public television stations and for the help given by this committee to the public broadcasting community.

I will submit, as you have suggested, for the record my written testimony, including an analysis of the public television equipment replacement needs that we have and projecting those needs.

We are asking this morning for a 1985 appropriation of $50 million for the facilities program to the National Telecommunications Information Agency at the Department of Commerce. The request is based on the need to maintain public broadcasting transmitting capacity, which is the heart of public broadcasting infrastructure.

REASONS FOR INCREASED REQUEST

We think this is a reasonable request for the following reasons:

One, the Federal contribution encourages investment from State and private sources. The $123 million Federal contribution over the last 21 years has built a capital system in the public broadcasting community that is today worth more than $1.4 billion.

The second reason we think it is in the public interest to protect this investment, without the ongoing investment of the facilities' program, we will begin to lose the kind of transmitting capacity we have for delivery of public television signals around the country. It has taken us 21 years to build these systems and without the ongoing support in these particular programs, these stations will begin to go dark.

Third, the annual replacement cost is approximately $200 million. We are asking for Federal support of one-quarter of the actual annual need, relying on the stations to raise the remaining three-quarters of that amount of money through sources either in the State or directly from State money or from other private sources that they will raise.

Fourth, the dollars go directly to local support. For example, in New Hampshire, Keene and Littleton, transmitters are 15 years old. Those transmitters need to be replaced and they cannot be replaced by the folks in New Hampshire Public Television without ongoing support of this kind.

The same can be said for KLVX in Las Vegas; the transmitter there is 15 years old.

The fifth reason is it really is not very much money. We are talking about 20 cents per citizen. We think that is a reasonable amount of money to invest in the public broadcasting facilities program in this country. The funding is essential, and if the transmitting capacity is to be protected, that is the reason we bring this request to your attention.

Senator RUDMAN. Thank you very much. As I said, your testimony will be inserted at the appropriate time.

[The prepared statement of Mr. Christensen follows:]

PREPARED STATEMENT OF BRUCE L. CHRISTENSEN
PRESIDENT
NATIONAL ASSOCIATION OF PUBLIC TELEVISION STATIONS

Introduction: Mr. Chairman and Members of the Subcommittee, I am pleased to present testimony in support of a reinvigorated Public Telecommunications Facilities Program (PTFP), the matching grant program administered by the National Telecommunications and Information Administration (NTIA) within the Department of Commerce. I am Bruce Christensen, President of the National Association of Public Television Stations; we represent the nearly 300 public television stations throughout the country. Before this program began in 1962, there were only 75 fledgling public television stations, operating separately and scattered randomly throughout the country. Only about 25% of the nation's people had access to public television. It is the PTFP program which made the growth of a nationwide public television service possible; but now that this service is nearly in place, the preservation of it will continue to depend in part on PTFP.

We ask that the Committee continue the program, and reject the Administration's proposal to end it.

An Overview of the Last 30 Years--Slow but Steady Growth in Public Television: The story of public television begins in the early 1950's, when the Federal Communications Commission (FCC) reserved 242 television channels for educational use and when the Ford Foundation began a decade of commitment to the development of an educational television system. Ten years later, the federal government entered the partnership with enactment of the Educational Television Facilities Act. Since that time, Congress has appropriated a total of $212 million to achieve the goal--$166 million for television alone. In partnership with individuals, businesses, state and local governments, the total infrastructure investment in this public trust has grown to $813 million. If we exclude the $184 million in land and buildings which are not eligible for these federal matching grants, the $629 million price tag on the equipment represents a figure more than four times the amount of the federal contribution. In other words, the federal contribution amounts to about 26% of the total cost of the infrastructure now in place.

In today's terms, however, the replacement value of the equipment of the public television system is approximately $1.4 billion.

Equipment Ages without Deference to Pressures on the Federal Budget: Although the construction of a system of public television stations can occur gradually over time, preservation of that system in the form of replacement of outdated parts, brings about a new schedule of demands. Television, just like a car or any other interconnected mechanical structure, just stops running without its essential parts. You can postpone replacement of tires and brakes beyond their estimated useful life with increasing danger to the life of the car's driver and passengers. You can do the same thing with public television equipment--use old antennas, transmitters at low power, and juryrigged cameras for a while with increasing danger that your viewers and underwriters will grow frustrated with any obvious sign of diminished quality. Ultimately, however, one has no choice. If one of the essential parts on your car breaks--and cannot be fixed because replacement parts no longer exist--you either do without your car or you buy new equipment. The same is true of a public television station.

During the period of 1985 to 1987, we estimate it will cost about $180 million per year to maintain the present system with state-of-the-art equipment; it will cost another $20 million to extend first service to those in America who cannot now receive a public television signal of any kind. We are not asking that the federal government contribute overall 75% of that cost, which is the maximum allowable in appropriate cases under the formula in the Facilities Act. We are not suggesting 50%. What we are seeking, however, is an overall contribution of 25% of that total--or $50 million in appropriations for FY1985--just about 21 cents per person per year.

Another way to calculate our system's needs is simply to review this year's list of grant applications--a total of 324 separate requests for a combined total of $71.9 million in federal funds. These requests are already backed by a commitment of $29.4 million in local funds. The requests for federal funds don't include a single cent for lands and buildings which are funded 100% locally. Today's appropriation is only $11.88 million, so only one of every seven of these applications will be funded. Even if the appropriation were $50 million today, only two-thirds of these applicants would receive the federal support they need to match state and local dollars available.

Some, including the authors of the Administration's budget request, have concluded that federal support is no longer necessary since a nationwide system is now nearly in place. But just the reverse is true. We must not only complete the system but, just as importantly, preserve the investment we have already made. The total replacement value of this investment--in today's dollars--for all 300 transmitter and 500 translator stations is about $1.399 billion. We are asking for just $50 million a year to do both preserve and complete it.

We would like to ask for less but...

- Television is an expensive medium...subject to constant technological change and like all others in the field, we must keep abreast with the state-of-the-art (even if we can't afford top-of-the line).
- We have to spend money to save money, that is to take advantage of the very significant operating efficiencies now possible; and
- We must maintain and improve those facilities which ensures we can fulfill our mandate for educational service and which use the television tool most effectively.

One brief story will illustrate this point.

One of our public television stations in the west is a major producer of college credit courses for over 600 colleges and universities throughout the country. It recently entered into a cooperative arrangement with one of the major private publishers of college text material to produce five college credit courses ranging from "Sales and Marketing" to "Microcomputers" and the "Principles of Photography." This co-production arrangement was possible because the station had a reputation for quality production in the past and because it could promise to maintain that reputation with the purchase of state-of-the-art equipment. Production is being done with state-of-the-art one-inch tape which is much more economical than the old standard of two-inch--the tape costs about half as much and so does the shipping and the storage, both warehouse space and climate control. But then the station couldn't use its aging two-inch machines, worth an estimated $5,000 apiece on the market; it had to invest in state-of-the-art one-inch machines costing about $100,000 apiece. The station was able to work on two or three of these series at the same time because it has a state-of-the-art computerized editing machine called a CMX. The editors could spend nearly 80% of the time using the "off-line" equipment at a cost of $8-15 per hour, and less than 25% of their time "on-line" which costs $100-120 per hour. Stated another way, it would have cost the station three and one half times as much per hour to edit if it hadn't been able to buy the "off-line" equipment.

So this station had to spend money to save money--that is, to have more efficient production and lower unit costs; and, it had to spend money to make money--that is, to retain or increase its production of educational material. The benefits of these decisions benefit: (1) the entire public television community, which will be able to distribute these courses; (2) the colleges and universities which receive full tuition for each enrolled student but pay only a fraction of that amount; and (3) the new type of older college credit student--people in their mid-to-late 30's, who have full or part time responsibilities in the home or away at work and for whom it is just not feasible to go to a college campus on a regular basis.

Another example is South Carolina, where there will be a major savings in the instructional service to elementary and secondary school students due to construction of a $12 million ITFS system (Instructional Television

Fixed Service) which delivers a signal directly to the school site at low power. Since this service is less expensive than the telephone landline distribution system now in use, the State will be able to save $4 million a year in "delivery charges"--recouping its original investment in 3 years. But South Carolina had to spend a lot to save a lot. The $12 million they could spend was an amount equal to the entire federal appropriation of last year.

These are examples of economies for program distribution and in-studio production. Moving outside the studio, the story is just the same. Semi-trailer sized remote trucks and film studio cameras and large crews in the field became a much too costly alternative to a $30,000 to $40,000 minicam and a two to three-person team. Film could only be used once; it had to be stored, processed and edited. The minicam uses videotape which can be used 50-100 times. You don't have to wait for processing either. You can actually screen what you have on-site and not risk having to return to re-shoot. Now there is an even newer generation of equipment, the Betacam, which puts the tape recorder, microphone and camera into a single piece of high-standard equipment that one person can operate. It costs $50,000 but will cut staff costs by 30 to 60%.

The Role of Federal Dollars in Securing Local Support: Every NTIA grant application is based on a local commitment of funds. Each grant is designed to fulfill local needs. However, almost every public television manager tells us the same story about the role of federal dollars. They say, "I have great local support, but there is a limit. This has always been true of major capital needs for non-profits; but, in these difficult economic times, it would be impossible to secure some private funds state appropriations without the promise of the federal match. The doors would be closed to us without the PTFP program."

Priorities for Federal Funding: Mr. Chairman, as those of us from the West understand all too well, the first priority is and must remain extension of first service--both television and radio--to our citizens who contribute to public broadcasting as taxpayers but are denied its benefits. In many cases, first service means radio service since some 30% of the nation cannot now receive a public radio signal. And they don't all live in remote areas like the Pribiloff Islands and the rural areas around Ketchikan, Alaska. They also live in Greenwood and the Conway-Myrtle Beach area of North Carolina and in Allentown and Bethlehem, Pennsylvania.

As you know, Mr. Chairman, there are still large geographic areas in the West which cannot receive a public television signal. In Nevada, for example, 60% of the state's geography lies outside the signal areas of the Reno and Las Vegas stations and their translators. That means about 10% of the people in the state cannot receive a public television signal. There are similar problems in Alaska, Arizona, and Hawaii. There is no local service at all yet in the state of Montana. Even in Missouri, over 14% of the population, in parts of four Congressional districts, cannot receive any public television signal. A state commission has been established to correct the situation and the state is committed to permitting the sale of state bonds to raise the local match.

There are problems in urban areas, too, especially where mountains or buildings interfere with the path of the signal. In Anchorage, they need to buy a new tower and move across the bay so they can get around the mountains and reach the northern and southern suburbs as well as a farm community of 50,000 nearby. In Tucson, the shadow area problem can be solved with a new 1000 watt translator.

Another priority is to ensure that our citizens receive a decent signal--a clear picture they can watch and enjoy--rather than just snow and haze. According to a Harris poll conducted for the Federal Communications Commission (FCC) only half of the American homes receive a "good" or "excellent" UHF signal. Since nearly two thirds of our public television stations operate in the UHF band--Channels 14-69--this is a particular problem for current viewers as well as potential supporters, both individuals and businesses. (It is also an expensive one, inasmuch as the FCC has reported that it costs nearly four times as much to operate equivalent signals on UHF as on VHF!)

For many years, this seemed like a hopeless situation. Our stations couldn't afford to buy the five million watt transmitter required for a decent signal and, even if they could afford to buy it, they couldn't afford the power bill. But recent technological advances have made a big difference. Transmitters can be adapted for more efficient energy use. They have become more affordable to operate if the investment up front can be secured.

But the most important part of our case to you today is our plea to help us preserve the system we have developed together over the years. This is a particularly serious problem for our stations affiliated with universities, local school boards and state governments. In most instances these stations are prohibited by state law from saving appropriations from a given year for equipment needs in the future. In other words, they cannot develop a replacement fund amortized over the years as commercial stations do. All too often, they must wait for the equipment to break down to secure state support and then seek the federal match to realize the full investment needed. Stations all across the country are in precisely this situation.

Basic Equipment Replacement: Just to deliver a signal to the public, a television station needs basic equipment in decent working condition--a satellite dish to receive the signals and a transmitter, tower antenna and related equipment to retransmit the signal to the surrounding viewing area. Satellite interconnection is still fairly new and thus so is the satellite receive equipment; the special effort to design and build it originally was financed by a combination of station, private, and CPB funds. Most of it should survive several more years. But transmitters and antennas are as old as the business itself and many of them are sadly out of date.

The general rule of thumb is that the useful life of a transmitter is about 15 years. You can continue to use it after that, but you're living on borrowed time. And that's what all too many of our stations are doing.

The Las Vegas transmitter is over 15 years old. KLVX was about to inaugurate a capital campaign to raise funds for the local match in 1981, when federal cuts were initiated. They had to cut their staff by 25% and thus their ability to put together a local fund drive. If this transmitter dies before economic conditions improve, there will be no public television service to over half the state. The transmitters in Keene and Littleton, New Hampshire, are both 15 years old; they have to go off the air periodically because it is so hard to get replacement parts for 15-year-old transmitters.

Unfortunately, these are hardly the only transmitters in trouble. In Warrensburg, Missouri, the transmitter is 23 years old, in University Park and Erie, Pennsylvania the transmitters are 19 and 17 years old respectively--about the same age as transmitters in Corvallis, Oregon and Norwich, Connecticut. If the Norwich transmitter goes, about 20% of the state won't get a signal. The Little Rock, Arkansas transmitter which is expected to go at any minute, serves 40% of the state.

If we expand from the local picture to a nationwide panorama, the situation appears even more problematic. This estimate assumes normal useful life. They don't take into account natural disasters like Hurricane Eva, which knocked down one of Hawaii's translators.

Local production ability is another area of significant cost. The average life of a studio camera is eight to eight and a half years. In Connecticut, six of their nine cameras are obsolete by this standard. In Oregon, all of their cameras are twelve years old. The same is true in Phoenix, Arizona. It's even worse in Tucson and Tacoma, their cameras are 15 years old. In Scranton, they're 20 years old.

What does this mean? It means a serious cost in local service. In Las Vegas, they keep having to rob Peter to pay Paul. They don't get the $20,000 for equipment repair from the school board any more. So they have to cut staff and programs to pay the equipment repair bills. Up until now, money from the local Friends group could be used for local programming.

Now part of it must be used to preserve the national schedule. The result: another reduction in local service.

In Hawaii, it means their local public affairs program could be eliminated if there are more camera failures. It takes them 12 months to get replacement parts; one of these days they fear they won't be able to find the necessary part to canabalize from the fourth camera to keep the other three running. If they can no longer produce instructional programming for the Department of Education in Hawaii, it is not only the instruction service that will go--so too will go one of the most important reasons for the state support which the Hawaii network receives.

In Phoenix, they have trouble doing local programming because they don't have the necessary equipment to make programs outside the studio and don't have the necessary one-inch editing machines to turn the material into a local program, or to contribute effectively to some national programs.

In New Hampshire, they have equipment that's so old, it often breaks down. The station is located on the coast, about an hour away from the population centers of Concord, Manchester, and Nashua. To cover events there, they send out a full crew--a reporter, a sound person, a camera person, and sometimes even an editor. But all too often, they only set up their equipment to find out that it doesn't work. The result--wasted resources and no local coverage.

In Pittsburgh, with cameras just nine years old, things look pretty good by comparison. But if Pittsburgh's production capability is undercut, the impact could extend nationwide. For that station produces THE NATIONAL GEOGRAPHIC SPECIALS, LIVE FROM THE KENNEDY CENTER, MR. ROGERS' NEIGHBORHOOD, and the new program for children and their families--WONDERWORKS--which represents a two year investment for a single year of programming, $5 million from the Corporation for Public Broadcasting and $1 million from public television stations.

Conclusion: I have attempted to convince you and your Subcommittee that the replacement needs of our system have reached a crisis point where they can simply no longer be ignored.

The bottom line? We try very hard to make equipment go as far as it can, and to cover its costs through production financing where possible, and local contributions when able. But our non-profit enterprise finds: (1) capital formation is difficult; (2) the challenge of the PTFP's matching grants is very productive; and, (3) the need for continued federal support for system preservation and first-service extension remains crucial.

We are well aware of the serious pressures on the federal budget. Yet we hope you can agree with us that it is not too much to now ask for 21 cents per person per year to save what would cost well over $1 billion to replace--the infrastructure without which we could never see another SESAME STREET, NOVA or MASTERPIECE THEATER.

Analytical Supplement to
Testimony
of

Bruce L. Christensen, President
National Association of Public Television Stations

before the

Subcommittee on Commerce, Justice, State,
the Judiciary, and Related Agencies
Commitee on Appropriations
U.S. Senate

March 5, 1984

The attached is a detailed profile of the conclusions of NAPTS' study of public television's facilities. The objective of this study was to quantify public television's equipment and facilities costs of system expansion, replacement and improvement for the next ten years.

As to public television's existing facilities, a current value (in 1983 dollars) was formulated. In order to determine the yearly cost of replacement of these facilities, a composite useful life figure was computed, on a weighted average basis, for these facilities. That figure was determined to be about ten years. Based on the current value of the system, its yearly replacement cost was computed based upon a straight line replacement analysis over the ten year composite useful life indexed at 6%.

As to expansion and improvement of the system, NAPTS projected system facilities start-ups and costs for the next ten years indexed at 6%.

Based upon this methodology and analysis, the annual cost for these efforts will be about 200 million dollars for fiscal years 1985 through 1987. Of those amounts, about 180 million per year is attributable to replacement costs and the remaining 20 million to expansion of service.

Summary of Replacement Costs & Costs of New Facilities/
Public Television Field System 1984-1994 (In Thousands)

Table 1:	NAPTS Estimates of Public Television Growth in Facilities (Units) 1984-1994;
Table 2:	Original Capital Cost of New Facilities/Public Television Field System Added 1984-1994 (In Thousands);
Table 3:	Replacement Cost of New Facilities/Public Television Field System Added 1984-1994 (In Thousands);
Table 4:	Replacement Cost Projections/Public Television Field System Existing As of 12/31/83 (In Thousands)

SUMMARY OF PROJECTIONS
REPLACEMENT COSTS & COSTS OF NEW FACILITIES
PUBLIC TELEVISION FIELD SYSTEM
1984-94 (In Thousands)

1983 DOLLARS:	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
1. Original Cost of New Facilities	22760	21260	19970	16220	14420	9080	6830	4990	4990	2310	2250
Replacement Costs:											
2. New Facilities 1984-94	2207	4263	6181	7799	9247	9947	10498	10854	11162	11316	11466
Existing System @ 12/31/83-											
3. -Basic System	112356										
4. -W/Enhanced Delivery	4541										
5. -W/Enhanced Programming	25536										
6. Subtotal-Existing System	142433	142433	142433	142433	142433	142433	142433	142433	142433	142433	142433
7. Subtotal-Replacement Costs	144640	146696	148614	150232	151680	152380	152931	153287	153595	153749	153899
8. Total Capital Costs	167400	167956	168584	166452	166100	161460	159761	158277	158585	156059	156149
Indexed at 6%:											
9. Original Cost of New Facilities	24126	23888	23784	20478	19297	12880	10270	7953	8430	4137	4271
Replacement Costs:											
10. New Facilities 1984-94	2339	4790	7362	9846	12374	14110	15785	17299	18857	20265	21765
Existing System @ 12/31/83											
11. -Basic System	119098	126244	133819	141848	150359	159380	168943	179080	189824	201214	213287
12. -W/Enhanced Delivery	4813	5102	5408	5732	6076	6441	6827	7237	7671	8131	8619
13. -W/Enhanced Programming	27068	28692	30414	32239	34173	36223	38397	40701	43143	45731	48475
14. Subtotal-Existing System	150979	160038	169640	179818	190608	202044	214167	227017	240638	255076	270380
15. Subtotal Replacement Costs	153318	164828	177002	189664	202982	216154	229952	244316	259495	275341	292145
16. Total Capital Requirements	177444	188716	200786	210142	222279	229034	240222	252269	267925	279478	296416

NAPTS ESTIMATES OF
PUBLIC TELEVISION GROWTH IN FACILITIES (Units)
1984 - 1994
Table 1

FACILITIES	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
A. Stations (A-Model)	2	2	2	2	2	-	-	-	-	-	-
B. Transmitters	4	4	4	3	3	3	2	2	2	1	1
C. R/O Earth Terminals	2	2	2	2	2	-	-	-	-	-	-
D. Cable Origination	-	-	2	2	2	2	2	-	-	-	-
E. Translators	25	25	50	50	25	15	15	10	10	5	-
F. ITFS Systems	50	40	30	20	10	10	10	-	-	-	-
G. Upgrades to B-Model	2	2	1	1	1	1	1	1	-	-	-

ORIGINAL CAPITAL COST OF NEW FACILITIES
PUBLIC TELEVISION FIELD SYSTEM
ADDED 1984 - 1994 (In Thousands)
Table 2

FACILITIES	Unit Cost 1983*	FY84 1.06	FY85 1.1236	FY86 1.1910	FY87 1.2625	FY88 1.3382	FY89 1.4185	FY90 1.5036	FY91 1.5938	FY92 1 6894	FY93 1.7908	FY94 1.8982
A. Stations A-Model	2457	4914	4914	4914	4914	4914	-	-	-	-	-	-
B. Transmitters (Avg.)	2250	9000	9000	9000	6750	6750	6750	4500	4500	4500	2250	2250
C. R/O Earth Stations (Avg.)	153	306	306	306	306	306	-	-	-	-	-	-
D. Cable Origination	140	-	-	280	280	280	280	280	-	-	-	-
E. Translators (Avg.)	12	300	300	600	600	300	180	180	120	120	60	-
F. ITFS	150	7500	6000	4500	3000	1500	1500	1500	-	-	-	-
G. Upgrade to B-Model	370	740	740	370	370	370	370	370	370	-	-	-
Total Original Cost		22760	21260	19970	16220	14420	9080	6830	4990	4990	2310	2250
Indexed at 6%		24126	23888	23784	20478	19297	12880	10270	7953	8430	4137	4271

*Unit Cost Source: PBS Engineering Report; April 1983, Revised 1/84.

REPLACEMENT COST OF NEW FACILITIES
PUBLIC TELEVISION FIELD SYSTEM
ADDED 1984 - 1994 (In Thousands)
Table 3

FACILITIES	Average Life	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
		1.06	1.1236	1.191	1.2625	1.3382	1.4185	1.5036	1.5938	1 6894	1.7908	1.8982
A. Stations A-Model	6.93	709	1418	2127	2836	3545	3545	3545	3545	3545	3545	3545
B. Transmitters	15	600	1200	1800	2250	2700	3150	3450	3750	4050	4200	4350
C. R/O Earth Terminals	10	31	61	92	122	153	153	153	153	153	153	153
D. Cable Origination	7	-	-	40	80	120	160	200	200	200	200	200
E. Translators	15	20	40	80	120	140	152	164	172	180	184	184
F. ITFS Systems	10	750	1350	1800	2100	2250	2400	2550	2550	2550	2550	2550
G. B-Model Upgrades	7.64	97	194	242	291	339	387	436	484	484	484	484
Total Cumulative Depreciation		2207	4263	6181	7799	9247	9947	10498	10854	11162	11316	11466
Indexed at 6%		2339	4790	7362	9846	12374	14110	15785	17299	18857	20265	21765

PUBLIC TELEVISION FIELD SYSTEM EXISTING
As of 12/31/83 (In Thousands)
Table 4

(Replacement Cost = Straight-Line Analysis Indexed at 6%)

QUAN.	STATE-OF-THE ART-MODEL	Yrs. Life	Cal. Cost 1983	FY84 1.06	FY85 1.1236	FY86 1.191	FY87 1.2625	FY88 1.3382	FY89 1.4185	FY90 1.5036	FY91 1.5938	FY92 1.6894	FY93 1.7908	FY94 1.8982
	A-Model Stations:													
174	@ $2.456,855	6.93	427493	65389										
	Transmitters:													
37	VHF Lowband @ $1,583,150	15	58577											
84	VHF Highband @ $2, 98,425	15	184668											
92	UHF Low Gain @ $2,723,900	15	250599											
91	UHF High Gain @ $2,495,300	15	227072											
304		–	720916	50945										
100	R/O's Collocated @ $135,000	10	13500											
74	R/O's Non-Collocated @ $170,000	10	12580											
174			26080	2764										
	Subtotal-Basic System		1174489 (84.0	119098 (78.9)	126244	133819	141848	150359	159380	168943	179080	189824	201214	213287
500	Translators @ $ 12,000	15	6000											
5	Sister Orig. @ $592,300	7	2962											
174	Cable Orig. @ $140,500	7	24447											
15	ITFS @ $150,000	10	2250											
	Subtotal-Enhanced Delivery		35659 (2.5)	4813 (3.2)	5102	5408	5732	6076	6441	6827	7237	7671	8131	8619
	Incremental Cost of													
37	B-Models @ $ 370,229	7.64	13698											
20	C-Models @ $4,963,037	7.36	99261											
9	D-Models @ $8,478,225	7.44	76304											
	Subtotal-Enhanced Prog.		189263 (13.5)	27068 (17.9)	28692	30414	32239	34173	36223	38397	40701	43143	45731	48475
	Grand Total-Exist. System 9.8 yrs.		1399411 (100.0)	150979 (100.0)	160038	169640	179818	190608	202044	214167	227017	240638	255076	270380

*Assumptions include fully-developed, state-of-the-art system in place. (See PBS Eng. Cmte. Guidelines, Rev. 1/84).

McCreary Tire & Rubber Co.

STATEMENT OF DONALD MATEER

Mr. Mateer. I am Donald Mateer, president of McCreary Tire & Rubber Co., Indiana, Pa. McCreary was founded in 1915, 2 years before the American Expeditionary Force landed in France during World War I.

Over the past 69 years, we have experienced the ups and downs of economic fluctuations and market changes. At one time, our company was 1 of 600 that produced pneumatic tires in the United States. Today, we are just 1 of 12 left.

TRADE ADJUSTMENT ASSISTANCE PROGRAM

I am here to tell you what the trade adjustment assistance program for firms and industries did for my company. In 1982, we were technically bankrupt. We were finishing a year with a loss from operations of $2.4 million. We had a 25-percent sales decline; we were able to repay only $216,000 of a scheduled $864,000 mortgage payment. We owed the Federal Government $350,000 in Federal excise taxes. We owed our hourly pension employees' fund $227,000. We terminated our salaried employees pension fund and we had cut salaries 20 percent. We owed public utilities $140,000. We were behind $300,000 to our creditors for the materials we used in manufacturing. After 69 years of doing business, we had a retained earnings of a mere $384,000. We were in a lot of deep water and there weren't any life rafts showing.

That is where the services of the mid-Atlantic trade adjustment assistance program in Philadelphia came in. Through them, we received timely and thorough and expert help in evaluating our markets, both domestic and foreign, and resolving a sales strategy to help us survive and provide a basis for future profitable growth.

In addition, our cost accounting system was evaluated to make sure that we really knew how much each of our eight product lines cost to manufacture and distribute, and how much margin we, in fact, were making on each such product line. To us, the development of an appropriate marketing plan and validation of correct product cost was crucial to our survival in business.

At present, a third and final technical assistance program is underway to help us determine feasible new rubber and rubber-related products for industrial applications and to further strengthen our operations.

During 1983, we made the necessary wrenching changes. By the end of the year, we turned from financial bankruptcy to solvency. We earned $1,100,000 from operations. We paid all the moneys that we owed in excise taxes, pension payments, mortgage payments, trade debt, utility bills, and so forth. Further, we were able to restore the painful 20 percent pay cuts and install employer-matching funds 401(k) plan so our salaried employees would have something put away for their future years. We paid $8,231,000 in wages and $2,977,000 in Federal, State, and local taxes.

To achieve this, the technical assistance programs totaled $81,000 and we are paying $20,225 of that, too. A business, such as ours, having real difficulties, simply could not have afforded these programs without the Trade Adjustment Assistance Center's help. That help was like the story I heard as a child about the nail that was missing from the shoe of a knight's horse. So the mounted knight didn't make it to the battleground and his side lost. The $81,000 in the technical assistance was our horseshoe nail. While we haven't won the war yet, we won the first battle during 1983.

I would request if you could consider additional testimony of this service in the record, and I would urge you to continue substantial support for this program.

[The prepared statement of Mr. Mateer follows:]

PREPARED STATEMENT OF DONALD MATEER

PRESIDENT

McCreary Tire & Rubber Co.

Mr. Senator, I am Donald Mateer, president of the McCreary Tire & Rubber Co. of Indiana, Pa. McCreary was founded in 1915, 2 years before the American Expeditionary Force landed in France during World War I. Over the past 69 years it has experienced the ups and downs of economic fluctuations and market changes. At one time, our company was 1 of 600 pneumatic tire producers in the United States. Today, we are 1 of just 12 companies left in this industry.

I am here to tell you what the trade adjustment assistance program for firms and industries did for my company. I urge you to continue a significant appropriation for the program, because, as I will illustrate, it not only works, but the Government gets back more in real dollars than it spends on the effort.

PERILOUS CONDITION OF THE COMPANY

In 1982, McCreary Tire & Rubber Co. was technically bankrupt. We were finishing the year with a loss from operations of $2.4 million. We had a 25-percent sales decline from 1981 to 1982—down from $50 million to $38 million. We had long-term debt of $4 million. We were able to repay only $216,000 of our $864,000 scheduled mortgage repayment. We owed $350,000 in Federal excise taxes and $227,000 to our hourly employees' pension fund. We had terminated our salaried employees pension fund and we had cut salaries 20 percent. We owed $140,000 to public utilities and were behind $300,000 to suppliers of materials we use in our manufacturing. After 69 years of doing business, our retained earnings had slipped to a mere $384,000.

ASSISTANCE RECEIVED

Gentlemen, we were in very deep water without any life raft. Then, the trade adjustment assistance program came on the horizon. Through the services of the Mid-Atlantic Trade Adjustment Assistance Center in Philadelphia, we received timely, thorough, and expert help in evaluating our markets—both domestic and foreign—and in resolving a sales strategy to help us survive and provide a basis for profitable future growth. In addition, our cost accounting system was evaluated to make sure that we really knew how much each of our eight product lines cost to manufacture and distribute and how much margin we, in fact, were making on each such product line. To us, the development of appropriate marketing plans and validation of correct product cost were crucial to our survival in business. At present, a third and final technical assistance program is underway, to help us determine feasible new rubber and rubber-related products for industrial applications and to further strengthen our operations.

TURNAROUND ACHIEVED

During 1983 we made the necessary wrenching changes. By the end of the year we had turned around from financial bankruptcy to solvency. We made $1,100,000. We paid all the moneys we owed in excise taxes, pension payments, mortgage payments, trade debt, utility bills, and so forth. Further, we were able to restore the painful 20-percent pay cuts and install employer matching funds 401(k) plan so our salaried employees would have something to put away for their future years. We paid $8,231,000 in wages and $2,977,000 in Federal, State, and local taxes.

RETURN ON INVESTMENT

To achieve this, the technical assistance programs totalled $81,000 and we are paying $20,225 of that, too. A business, such as ours, having real difficulties, simply could not have afforded these programs without the Trade Adjustment Assistance Center's help. That help was like the story I heard as a child about the nail that was missing from the shoe of a knight's horse. So the mounted knight didn't make it to the battleground and his side lost. The $81,000 in the technical assistance was our horseshoe nail. While we haven't won the war yet, we won the first battle during 1983.

Other companies, in many different fields, are being helped as mine has been. Government, company managements, and workers gain from this program: not only are jobs being preserved and companies becoming more competitive, but the program pays for itself in dollars returned to the Federal Treasury. Thirty-five million dollars to work with the increasing number of companies in the program is not a heavy outlay for the return on investment.

Thank you.

TECHNICAL ASSISTANCE RESULTING IN SUCCESSFUL TURNAROUND

Senator **RUDMAN**. How many people do you employ?

Mr. **MATEER**. 650.

Senator **RUDMAN**. Do you credit the technical assistance you received as being the major factor which allowed you to accomplish this remarkable turnaround?

Mr. **MATEER**. I think it was the fundamental importance to have that technical assistance to research sales strategy and plans and develop a good costing. Yes, sir, I think it is a fundamental assistance.

Senator **RUDMAN**. I will ask that this testimony of Mr. Mateer is excerpted and sent down to OMB and other appropriating officials. It is not the kind of testimony we always get around here. Let's make sure we do that. Thank you both very much.

INTRODUCTION OF PANEL V

Our fifth group of witnesses this morning is on the cultural exchange programs. Our witnesses in this panel include Mr. Istvan Gereben; Thomas Gittins; Fathers Bradley and George.

Gentlemen, we could have used you on a previous panel. I am not sure you would have wanted to be here.

I think what we will try to do is to limit, again, your testimony within the parameters. We will make sure all your statements will be incorporated in the record.

Panel V

U.S. Information Agency Programs

STATEMENT OF ISTVAN B. GEREBEN, EXECUTIVE SECRETARY COORDINATING COMMITTEE OF HUNGARIAN ORGANIZATIONS IN NORTH AMERICA

ACCOMPANIED BY:

THOMAS GITTINS, EXECUTIVE VICE PRESIDENT, SISTER CITIES INTERNATIONAL, THE CONSORTIUM FOR INTERNATIONAL CITIZEN EXCHANGE

FATHER HAROLD BRADLEY, S.J., SPECIAL ASSISTANT FOR FEDERAL RELATIONS, GEORGETOWN UNIVERSITY

FATHER WILLIAM L. GEORGE, S.J., SPECIAL ASSISTANTS FOR FEDERAL RELATIONS, GEORGETOWN UNIVERSITY

SUPPORT OF VOA BUDGET REQUEST

Mr. GEREBEN. My name is Istvan Gereben and I am testifying on behalf of the Coordinating Committee of Hungarian Organizations in North America.

Our committee supports the full budget of the Voice of America requested for fiscal year 1985. We especially urge the subcommittee to appropriate the full amount of the $114,570,000 requested for improvement and expansion of facilities for radio transmission and reception through the purchase of the necessary equipment and securing the necessary leases.

The long overdue modernization can be implemented only with a strong financial commitment from Congress starting in this year. Contractor involvement, serious planning cannot and will not be sufficient until enough money is provided to indicate that Congress is as determined as the executive branch to provide the United States with a voice which can be heard loud and clear by our adversaries and friends alike.

If the full amount cannot be spent in fiscal year 1985 because of difficulties in acquiring transmitter sites overseas and here in the United States, a trust fund should be established in which the funds appropriated will remain until they can be expended.

USIA-IREX SYMPOSIUM

Our committee would like to express concern about the cultural and scientific exchange programs, especially the programs involving Hungary, sponsored by USIA through IREX. A recent USIA-IREX symposium on Hungary sponsored by USIA's Research Department revealed a policy for selection of the participants in the IREX-run programs which favors social scientists, economists who are fundamentally sympathetic to the Communist regime in Hungary, and generally support its policies.

The USIA-IREX Exchange Seminar on Hungary revealed that the USIA-sponsored IREX program is ineffectual, the participants are biased, their observations are self-serving, factually incorrect, subjective or superficial at best, willfully distorted at worst.

As it stands, neither the Hungarian people's nor the United States interests are served by this program. In its present form, the Hungarian exchange program does not deserve the taxpayers' support. We recommend a thorough evaluation of the Hungarian-related programs before appropriating the money for them.

VISITORS EXCHANGE PROGRAM

The same observations are valid for the visitors exchange program. The selection process favors the propagandists, the committed party idealogues. The latest evidence to support our observation is the article written by one of the Hungarian visitors, Miklos Szinetar, and published in the April 1983 issue of VALOSAG. Typical portions of this article were translated by our committee and are included in the attachments to our testimony.

In closing, we would like to express our reluctant support for the budget request for the Board of International Broadcasting. Our reluctance is due to the lack of request for modernization in the budget. RFE/RL needs to modernize as much as VOA does. BIB realizes this.

The ambitious but needed technical improvements outlined in the 1984 annual report of BIB are the proof of this. The report states:

> We believe that the measures that will be taken now, together with a new leadership and increased funding should bring about the greatest overall advance in many years in both the technical and journalistic quality of RFE/RL broadcasting.

We find these words in contradiction with the lack of request for funds to carry out the commendable technical plans of BIB's new leadership. We urge the subcommittee to maintain a sympathetic interest in providing a supplemental appropriation for RFE/RL modernization in case the BIB will request such funds for fiscal year 1985 in the near future.

Thank you very much.

Senator **Rudman**. Thank you, Mr. Gereben. Do we have a copy of his statement?

Mr. **Gereben**. Yes.

Senator **Rudman**. I am having a meeting with Mr. Wick at 3 o'clock this afternoon. I think I will read excerpts of your testimony.

Mr. **Gereben**. I included in our attachment a letter to Mr. Wick which we received an answer stating USIA is just as interested in improving the exchange program as we are but we have not had a substantial response to the letter.

Senator **Rudman**. We will have a discussion about that.

[The prepared statement of Mr. Gereben follows:]

COORDINATING COMMITTEE
OF
HUNGARIAN ORGANIZATIONS IN NORTH AMERICA

PREPARED STATEMENT OF ISTVAN B. GEREBEN

EXECUTIVE SECRETARY

Mr. Chairman:

My name is Istvan B. Gereben and I am testifying on behalf of the Coordinating Committee of Hungarian Organizations in North America.

Our Committee supports the full budget of the Voice of America requested for Fiscal Year 1985. We especially urge the Subcommittee to appropriate the full amount of the 114,570,000 dollars requested for improvement and expansion of facilities for radio transmission and reception through the purchase of the necessary equipments, and securing the necessary leases. The long overdue modernization can be implemented only with a strong financial committment from Congress starting in this year. Contractor involvement, serious planning cannot and will not be sufficient until enough money is provided to indicate that Congress is as determined as the Executive Branch to provide the U.S. with a voice which can be heard loud and clear by our adversaries and friends alike. If the full amount cannot be spent in FY1985 because of difficulties in acquiring transmitter sites overseas and here in the United States a trust fund should be established in which the funds appropriated will remain until can be expended.

Our Committee would like to express concern about the cultural and scientific exchange programs--especially the programs involving Hungary--sponsored by USIA through IREX. A recent USIA-IREX Symposium on Hungary sponsored by USIA's Research Department revealed a policy for selection of the participants in the IREX run programs which favors social scientists, economists who are fundamentally sympathetic to the Communist regime in Hungary and generally support its policies.

The USIA-IREX Exchange Seminar on Hungary revealed that the USIA sponsored IREX program is ineffectual, the participants are biased, their observations are self-serving, subjective or superficial at best, willfully distored at worst. As it stands neither the Hungarian people's nor the United States' interests are served by this program. In its present form the Hungarian exchange program does not deserve the taxpayers support. We recommend a thorough evaluation of the Hungarian related programs before appropriating the money for them.

The same observations are valid for the Visitors Exchange Program. The selection process favors the propagandists, the committed party idealogues. The latest evidence to support our observation is the article written by one of the Hungarian visitors, Miklos Szinetar and published in the April 1983 issue of VALOSAG. Typical portions of this article were translated by our Committee and are included in the attachments to our testimony.

I ask that the USIA Research Memorandum on Hungary, our letters responding to this memorandum to Mr. Wick and to Senator Laxalt and the translated excerpts from Szinetar's article be made part of our testimony and included in the record.

In closing we would like to express our reluctant support for the budget request for the Board for International Broadcasting. Our reluctance is due to the lack of request for modernization in the budget. RFE/RL needs to modernize as much as VOA does. BIB realizes this.

The ambitious but needed technical improvements outlined in the 1984 Annual Report of BIB are the proof of this. The report states: ". . . we believe that the measures that will be taken now, together with a new leadership and increased funding, should bring about the greatest overall advance in many years in both the technical and journalistic quality of RFE/RL broadcasting."

We find these words in contradiction with the lack of request for funds to carry out the commendable technical plans of BIB's new leadership. We urge the Subcommittee to maintain a sympathetic interest in providing a supplemental appropriation for RFE/RL modernization in case the BIB will request such funds for FY85 in the near future.

ATTACHMENTS

October 24, 1983

USIA-IREX EXCHANGE SEMINAR ON HUNGARY

Summary

Five former IREX exchangees with Hungarian academic institutions gave their views on current developments in Hungary at a seminar held at USIA on October 6, 1983. Two of the panelists had been in Hungary as recently as this year. The panelists had contact mainly with professionals. Highlights of the discussion were:

- The U.S. is a subject of interest for Hungarians, but it is not the most important foreign country for them. Hungarians are interested first of all in Europe. The U.S. is regarded both as a military threat and the only hope for change in the confrontation between East and West.
- The Soviet Union is not an object of hatred to most Hungarians. Rather it is regarded as an "unwelcome big brother" with which Hungarians must live.
- Hungarian leader Janos Kadar is genuinely liked and is regarded as having gained about as much freedom from the Soviet Union as is possible under the circumstances.

- While there are few "true believers" in communism in Hungary, most Hungarians are oriented to socialism. The model for socialism is not the Soviet Union, however, but countries such as Sweden.
- There is little domestic dissidence in Hungary. Samizdat does not play an important role.

Other findings were:

- The official media are regarded with more respect than most in Eastern Europe, especially in their coverage of domestic affairs. Foreign affairs reporting is still subject to distortion depending on the topic; countries remote from Hungary (both geographically and politically) are more likely to be treated objectively than those nearby.
- Foreign radio is a major source of information for Hungarians. RFE is a more important source than VOA.

Background

Another in the continuing series of USIA-International Research and Exchanges Board (IREX) seminars with former American exchange scholars to Eastern Europe was held on October 6, 1983. The seminar featured five academics (a historian, a political scientist, and three economists) who had been on IREX exchanges to Hungary--two within the past year.

This report summarizes the views of the panelists; while they agreed on most points, there were differences of interpretation on some matters. The Hungarians with whom the panelists were most in contact were intellectuals--few of the panelists counted workers and farmers among their close acquaintances and none felt competent to characterize the views of these groups. It should therefore be kept in mind that the opinions reported by the panelists may be restricted in their applicability to the whole of Hungarian society.

U.S. Important But Not Center of World for Hungarians

As in all countries, there are gradations of knowledge among Hungarians about the U.S. Hungarians think they know a great deal about America, but most do not. This situation arises in part from heavy American penetration of the entertainment media (cinema, television, literature) and a projection of what the U.S. must be like based on their own experiences in Hungary or what the official media say about the U.S.

Like most people who are asked how familiar they are with a foreign land, Hungarians tend to be superficially knowledgeable but deficient in the "details." The overall impression Hungarians have of the U.S. is similar to that of most West Europeans: Americans are somewhat crude, but are industrious and make good movies. Few Hungarians harbor the idea that the U.S. is perfect; this image was shattered in the 1960's.

Elites as a rule are very well informed about the U.S.--or, put another way, they are as informed as they chose to be. Through a combination of travel and foreign media--including foreign radio--the general level of knowledge among intellectuals is at the West European level.

On the question of how much Hungarians care about the U.S., it was clear that they are still Eurocentric. Nonetheless, the U.S. is important to Hungarians because it constitutes a military threat and because it is more likely than the USSR to take actions which would cause the international situation to improve or deteriorate (the Soviet Union is regarded as hopelessly rigid, slow to change, and unlikely to make any concessions).

For a smaller group of Hungarians (the so-called "Democratic Opposition"), the U.S. is regarded for better or for worse as the only protector of what little freedom of action they have. The Helsinki (CSCE) process, the Carter Administration human rights policies, and the political skills of Henry Kissinger are seen as having secured a certain amount of elbow room to work for democratic change. The Democratic Opposition is not a large movement, however, and should not be regarded as representing mainstream Hungarian opinion.

Reactions to current U.S. policy appear to range from complimentary to concerned. A minority of Hungarians strongly believe that President Reagan understands the Soviets well, should build up U.S. strength and not give an inch. Perhaps more common is concern about the implications of the arms buildup and the possibility of war. Little outright opposition to U.S. policy appears to be voiced.

U.S. policy implementation does come in for criticism, however. On the average, Hungarians want the U.S. to carry out policy "more skillfully," and cite the Nixon/Kissinger period as a positive example.

Soviet Union as "Unwelcome Big Brother"

Most Hungarians do not hate the Soviets; rather, they regard them as "unwelcome big brothers" with whom they are "stuck." Hungarians tend to mix fatalism in their attitude toward the Soviet Union with resentment and some contempt (they view the Russians as "incompetent" and as "cultural barbarians"), but resignation is the dominant tone when the subject of the Soviet Union arises because it is simply inconceivable that Hungary could break away.

The accession of Yuri Andropov to the leadership of the Soviet Union evoked no particular reaction--in fact, Andropov is seldom mentioned. Hungarians apparently do not expect any major Soviet policy changes as a result of his presence.

Hungarian "disinterest" in the Soviet Union goes beyond Andropov, however. As a rule, they have very little interest, concern, or knowledge of the Soviet Union. The average Hungarian simply does not think much about the Soviet Union. A visit to the USSR (most professionals between the ages of 25 and 40 have been there) does little to change this disinterest, except that it may turn disinterest into dislike. Many Hungarians take pride in the fact that even though they they must study the Russian language for ten years, they still cannot speak it.

Hungarians tend not to discriminate in their disrespect for their neighbors, however; except for Austria, they generally feel culturally (and economically) superior to most Central and East European countries. There are some feelings of warmth toward Poles, however, although criticism of Solidarity and the "unrealistic" approach of the Poles began after the imposition of martial law in Poland. Hungarians tend to have active grievances toward Czechoslovakia and Romania because of the large Hungarian territorial losses following the world wars. Alleged mistreatment of ethnic Hungarian minorities add to the resentment. Summed up in terms of national character, Hungarians regard the East Germans as "hard-working Prussians," the Czechs as "bureaucractic," and the Bulgarians as "crude."

Domestic Affairs: Kadar Had Gone About As Far As He Can Go

The now-conventional wisdom that Hungarian regime enjoys genuine support from the people was affirmed by the panel. This success is attributed directly to Janos Kadar, who is widely seen as having achieved at least some of the goals of the 1956 revolution despite his participation in its suppression. The regime gets much credit from its successes in gaining a considerable measure of independence from the Soviet Union. However, Hungarians tend to believe that the Kadar administration has gone about as far as it can in distancing itself from the USSR given the geopolitical situation Hungary is in.

The panelists encountered few "true believers" in communism in Hungary. However, acceptance and support for some form of socialism is close to universal. People believe in socialism in the sense that they want those things that the ideal socialist system claims to deliver (e.g., welfare, security, employment) and reject those non-socialist systems (i.e., the U.S.) which do not offer them. The model that many Hungarians have in mind when they talk about socialism is not the Soviet Union but Sweden.

Further evidence of system support is the small size of the dissident movement in Hungary. Although there are dissidents--and occasional incidents involving police reaction--their existence is not a source of major concern for the regime. Samizdat plays only a minor role in intellectual circles. Samizdat activity is restricted not by the authorities, but by the small group of people who are interested in reading and writing it. One panelist estimated that the number of people who produce samizdat is no larger than 15 and the number of people who read it does not exceed 200.

Support for the regime, belief in socialism, and few dissidents do not necessarily imply that Hungarians are entirely satisfied with their lot, however. There is much complaining, especially about housing, with age and income being the principal social cleavages. The panel split over the question of a serious generation gap, although all agreed that there were attitudinal differences between those over and under 45, as evidenced by reactions to the Hungarian film Time Stands Still which portrays a group of teenagers whose lifestyle and morals emphasize antisocial behavior, drinking, and sex. Some panelists questioned the degree to which the film accurately portrayed youth culture in Hungary.

Official Media Regarded As Better Than Most in Eastern Europe

The reliability of the Hungarian official media varies with the topic. In domestic affairs, the media are considered to be realistic; in foreign affairs reporting, the more remote a subject is from Hungarian concerns, the greater the degree of perceived reliability. Thus reports on the Soviet Union and the other East European countries are regarded with skepticism, while--with one or two exceptions (e.g., the Mid-East)--the more remote a country or area is from Hungary, the more likely the coverage is to be accepted.

As a rule, the official media are less likely to publish untruths than the media in other East European countries; instead they rely on one-sided or selective coverage when the goal is to manipulate perceptions. There is also heavy reliance on self-censorship rather than an official apparatus to control the media. Upon occasion, however, the media can revert to traditional methods when pressures are too great to resist; coverage of Israel and the Korean airliner incident are examples.

In writings on domestic affairs, the situation is much looser, almost to the point where there is no longer an official line. There is much room for genuine disagreement and debate, even with pronouncements by high-ranking party officials.

Foreign Radio Is Major Source of Information

Even though the official media are trusted more than is usually the case in Eastern Europe, Hungarians still turn to foreign radio for information. Radio Free Europe appears to be the main foreign station listened to, largely because of the number of hours per day it broadcasts. In the words of one panelist, "RFE is always there." VOA, by contrast, is hard to find. RFE was also described as being more attuned to the interests of the listeners than VOA, and as having a stronger signal.

Contacts With USIS Budapest

The average professional Hungarian is usually not willing to identify himself as a regular patron of USIA offerings (exhibits, speakers, magazines, films). Some panelists noted that it was an especially bad idea to make the Embassy the site for exhibits and other showings.

Prepared by:
James P. McGregor (P/RSE)
485-7127

M-10/24/83

CORRESPONDENCE

ISTVAN B GEREBEN
EXECUTIVE SECRETARY

4101 BLACKPOOL ROAD
ROCKVILLE, MD 20853
TELEPHONE 301-871-7018

November 30, 1983

Mr. Charles Z. Wick
Director, United States Information Agency
400 C Street S.W.
Washington, D.C. 20547

Dear Mr. Wick:

Recently I received a Research Memorandum of USIA's Office of Research. The Memorandum titled: "USIA-IREX Exchange Seminar on Hungary" is dated October 24, 1983. The report on the seminar held on October 6th reveals several shortcomings of our taxpayer financed cultrual exchange program with Hungary.

Seemingly the overwhelming number of participants are selected from a group of social scientists, and economists who are fundamentally sympathetic to the regime in Hungary and generally satified with its policies. The selection of participants in IREX's Hungarian program should not be based on the capability of describing what has and is being done by the rigime in Hungary according to preconceived, prefabricated illusions of a few image-makers. The selection process should consider the candidates' ability to project as well as to absorb ideas, to observe honestly, to interpret correctly and communicate clearly. Such a process will not allow the selection of prejudiced, incompetent, intellectually dishonest, self-serving candidates and will produce participants who can provide reliable, unbiased advise useful in the definition of our diplomatic, trade, political, cultural relations with the Hungarian People's Republic.

The "findings" presented by the five participants in the seminar held on October 6, 1983 lead us to conclude that the IREX academics, who recently visited Hungary, are ignoring and/or misrepresenting and misinterpreting basic facts. The panelist, who states that in Hungary the number of people who produce samizdat is no larger than 15, and the number of people who read it does not exceed 200, is either ignorant of the facts or willingly distorts them.

The BIBO ANTHOLOGY alone contained the writings of 76 authors, was produced as samizdat in 1000 copies and accumulated a readership of many thousands. The recently published literary and graphic art anthology, FEKETEBEN (IN BLACK) contains the work of 34 writers, poets, essayists and 20 graphic artists. Participation in this project was actively discouraged by the officials of the Ministry of Culture, The Literary Art Fund, and the Party, after one copy of the manuscript was confiscated by the authorities in June 1982. Authors were individually intimidated. Only 5 of the original 59 authors withdrew from the final version of the anthology. In December 1982, a large number of the printed copies, waiting for binding, were confiscated; thus the number of copies finally published is limited. This much about the sanctimoniously erroneous statement of the IREX panelist regarding the lack of restriction of samizdat material by the authorities.

An account of the authors who published in the seven editions of BESZELO, the most popular samizdat journal, will further show that the IREX panelist is grossly understating the number of those who produce samizdat.

The variety of samizdat publications expressing a multitude of viewpoints (considerably more than 15) by itself is a resounding rejection of the estimate made by the IREX panelist. The cynical statement that "samizdat activity is restricted not by the authorities, but by the small group of people who are interested in reading and writing it", clearly indicates the ignorance and bias of the panelist. Repeated confiscation of the duplicating machines, paper supply, manuscripts and the stock of published samizdat is a well known fact, reported in the world-press. If these actions by the Hungarian authorities are not aimed to restrict samizdat, what is? Why the deception? Whose interest is served by these transparent misrepresentations? For what purpose?

Without overemphasizing the readership and impact of Hungarian samizdat, we and the IREX panelist, should focus attention on the role of samizdat publications in the awakening of Hungarians to the systematic distortions in official presentations of Hungary's recent past, to the plight of the Hungarians living in the neighboring countries (i.e., BIBO ANTHOLOGY, Gyula Illyes' banned book: SZELLEM ES EROSZAK, KISUGO, BESZELO, Csoori's writings). Both phenomena, the demand for explanation of the empty pages in the history books and concern for the fate of Hungarians living in Rumania and Czechoslovakia are causing uncomfortable problems for the regime.

It would be very educational, for ourselves and the USIA, to know the forces motivating IREX academics to underestimate and to bagetelize the number and impact of Hungarian samizdat literature.

The panelists' evaluation of the domestic affairs in Hungary supports the official Hungarian line: "Kadar has gone about as far as he can go".

Knowledgeable Hungarians, economists, sociologists, philosophers and politicians vehemently, and interestingly enough, publicly, in legitimate journals disagree. I will mention only the writings of Sandor Erdelyi, Rezso Nyers Elemer Hankiss, Marton Tardos, and Tamas Bauer. The fact that the regime recently was forced to close a section of the Eotvos Lorant University in Budapest as the result of strong expressions of dissatisfaction by the student body over the dismissal of the editor of their favored magazine, MOZGO VILAG, is a vivid rejection of the notions expressed by the IREX academics. Political reform, expansion of privilages if not rights and freedoms, are thought to be essential and practical by leading Hungarian intellectuals.

The attitude of Hungarians toward the soviet Union is oversimplified by the panelists. Hungarians react to the Soviet Union with 1956 in their minds. it seems to us that the panelists contradict themselves in this issue when they declare that in Hungary resignation is the dominant tone when the subject of the Soviet Union arised, but at the same time they state that: Many Hungarians take pride in the fact that even though they must study the Russian language for ten years they still connot speak it. What can be a more telling form of contempt and hatred under the present circumstances?

The attempt by the IREX panelists to depict Hungary as a country where the "liberal", "tolerant" and "skillful" leadership succeeded in creating an "almost" free country in East Central Europe, fails by the admission that the average professional Hungarian is usually not willing to identify himself as a regular patron of USIA offerings. Why? Because he is intimidated, the sophisticated oppression succeeded. And the IREX academics did not even get excited. For that the Hungarian regime and IREX must be congratulated.

In summary the "USIA-IREX Exchange Seminar on Hungary" reveals that this program is ineffectual, the participants are biased, their observations are self-serving, subjective or superficial at best, willfully distorted at worst. It spreads misinformation. Neither the Hungarian people's nor the United States' interests are served by this program. In its present form the exchange program does not deserve the taxpayers support.

We are prepared to further discuss these issues with you and present some detailed recommendations at your convenience.

I request that this letter be provided to the participants in the seminar and if possible, sent to those who received the subject Research Memorandum.

Respectfully yours,

Istvan B. Gereben
Executive Secretary

cc: The Honorable Charles H. Percy
The Honorable Richard G. Lugar
The Honorable Paul Laxalt
The Honorable Clement J. Zablocki
The Honorable Lee H. Hamilton
The Honorable Neal Smith
The Honorable Robert C. McFarlane
The Honorable Nicholas M. Salgo
The Honorable Robie M. Palmer

ISTVAN B. GEREBEN
EXECUTIVE SECRETARY

4101 BLACKPOOL ROAD
ROCKVILLE, MD 20853
TELEPHONE 301-871-7018

December 2, 1983

The Honorable Paul Laxalt
Chairman, Subcommittee on State, Justice, Commerce, The Judiciary and Related Agencies
U.S. Senate
Room 323A Russel Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

The USIA/IREX administered exchange program with Hungary became controversial in our community. The purpose, usefulness and the goals of the program are questioned. The recent USIA Seminar on Hungary, held with the participation of exchange academics who visited Hungary, revealed that the program is ineffectual, strongly biased and exploited by the Hungarian regime's sophisticated propagandists.

It is incredible to hear American scholars to recite the propaganda lines manufactured by Mr. Kadar's image-makers. The fact that these scholars fall so easily for the planted baits and willingly or unwillingly serve as messengers of disinformation raise questions about the wisdom of the program.

We do not only object to the use of tax dollars for sponsoring messengers for Hungarian official propaganda but we are indignant over the fact that one of our government agencies provides the means to promulgate disinformation designed to promote the Hungarian government's "accomplishments" and to mislead American officials about the attitude and perceptions of the Hungarian people. Disinformation is disinformation even if it is disguised as "scholarly evaluation".

We urge you to inquire about the goals, effectiveness, shortcomings, results and methods of practical implementation of IREX's Hungarian program. We respectfully request notification of the date and place of the next hearing conducted by your Subcommittee addressing the appropriation of funds for IREX. The Coordinating Committee of Hungarian Organizations in North America intends to testify and to present its views on this subject.

I have enclosed, for your information, a copy of our Committee's letter to Mr. Charles Z. Wick, responding to the USIA Research Memorandum, titled: "USIA-IREX Seminar on Hungary".

Respectfully yours,

Istvan B. Gereben
Executive Secretary

Excerpts
from
"Mosaics about America"
by
Miklos Szinetar

(This article was written by Szinetar after he visited the United States as a participant in the Visitor's Program, and was published in the April 1983 issue of the Hungarian monthly: VALOSAG.)

About Washington D.C.:
"What is strange, moreover depressing at a Sunday morning is the deserted streets. Scarcely a car, no pedestrians are in sight, only a few wicked faced, obviously drunk or drugged blacks and several dissolute whites loiter on the streets. One is in anguish even in downtown, in the government district. Nowhere is a policeman."

About Television:
"The American television is a great adventure. On Sunday morning-after proper switching of the dial-one can enjoy as much as four religious services. Of course these services do not resemble the ones in Europe. The people are spoken to mostly by preachers. On one of the channels a hysterical black lady wriggles, calling God, panting, whistling, flustering, she has difficulty to breath. The audience listens with piety, many among them are also falling into extasy. On another channel a well dressed gentleman delivers a speech, walking up and down on the stage, tells jokes with stentorian laughs, then suddenly gives way to dispair and asks the audience to take an oath--like soldiers--to remain faithful to the Lord. Many on the tube are sobbing. The audience is totally mixed: old matrons, young intellectual looking whites - sobbing, yelling, banging on their chest together - take part in this activity. I don't even know how to describe this strange gathering, perhaps it is the best if I call this phenomenon masochist ceremony. On the third channel a black pastor preaches, or rather, converses with us. The audience is not shown. On the fourth channel there are songs, dances and an orchestra behind the preacher. This is a cheap show, with pink girls, who occasionally appear from behind the flowers singing religious songs."

About the Food in Supermarkets:
"It is a shame that in spite of the great vareity most of the foodstuffs are flavorless, artificially colored, they are more for the eyes than for the mouth."

About the Morning T.V. Discussion Shows:
"It is childish how the debates are conducted in America,here,on the morning T.V. programs. For example in the discussion of the subject, " Why do the government employees pay insufficient taxes?," - on one side there is a gentleman, who represents the union of the government employees, and on the other is the representative of the organization defending the interests of the taxpayers - because in America there is such a thing. Since the time of the debate is limited, the discussion quickly becomes heated, they yell and point fingers at each other, everybody alludes to the taxpayers money. The whole affair is extremely childish, almost ridiculous but on the other hand it is alluringly talented, because it is such a play which sooths the emotions, captivates interests; well, it is one form of democracy, or rather, a substitute for democracy, if you like."

About the Elderly:
"This country's orientation is on youth. Above 35-40 everyone starts to loose touch with life and feels that everything is finished."

About the Political System:
"One of the good things in America--of which we are in great need here in Hungary--is the permanent opportunity for play which satisfies the needs of the homo ludens, the playing human being. Of course I do not believe that the people there (in the United States) have the chance to influence substantial issues. But the possibility, or the appearance of possibility of participation in the small things gives satisfaction to wide segments of society. I do not have an apetite for the manipulative, expensive election reverly, the multiparty system,--which is in essence the rule of one class,--but envy the numerous clubs, sects, small associations, all of which are playgrounds, but at the same time places providing the possibility for the of development of communities."

(Translation by the Coordinating Committee of Hungarian Organizations in North America)

CONSORTIUM FOR INTERNATIONAL CITIZENS EXCHANGE

STATEMENT OF THOMAS GITTINS

Mr. GITTINS. Senator, thank you very much. I am here as vice chairman of the Consortium for International Citizens Exchange. I will speak on behalf of the consortium which represents nine organizations involved in international citizen exchange. I will draw upon examples from the sister cities program which I know best. My purpose in testifying is to emphasize the importance of adequate funding for the educational and exchange programs of the USIA and at minimum encouraging that these programs should be funded at the level of USIA's fiscal year 1985 budget request.

All of these programs in the educational cultural sector of USIA are indeed important and deserving of support. I will focus, however, on two program categories related to our particular organizations' involvement. Those categories being the private sector program exchanges operated by USIA and the international youth exchange program supported by USIA.

The points I wish to make are in my testimony and in the interest of time, I will skip ahead by just stating a few brief things, if I may, Mr. Chairman.

Senator RUDMAN. Each of these statements will be entered in the record completely when the record is published.

Mr. GITTINS. The consoritum organizations you may be interested in knowing, I mentioned we are nine organizations; we are active in all 50 States and the District of Columbia. We represent some 6,000 local units, volunteer units managing over 100,000 exchanges of persons annually and representing a working volunteer constituency of over a half million people.

We believe strongly in private volunteer international citizen exchange, and we believe that the catalytic and seed support that organizations like ours and others receive from the private sector office of USIA and Youth Exchange Office of USIA are extremely critical.

We encourage sufficient resources in the educational culture exchange budget of the agency for these programs and they are important because they provide motivational support to volunteers. They give recognition of the importance of citizen involvement in foreign affairs; they provide the needed and crucial seed and catalytic funds and the availability of these minimal resources give stimulus to the development of new and expansion of unsuccessful private international efforts.

SISTER CITIES PROGRAM

From the standpoint of sister cities program, for example, in 1982 in a survey of 93 cities representing 13 percent of the over 700 U.S. cities affiliated with 1,100 cities and 84 countries around the world, we showed an average of 49 exchanges per city, taking a place for a total of 4,500 exchanges of persons in 1 year.

Using a modest exchange figure of $2,500 per person and adding the average budgets of those local citizen committees, we come up with about $12 million of exchange activity in just those 93 examples, or $136,000 of exchange activity in our program alone in those examples.

In our case, relevant to our funding relationship with USIA, that is about an 80-to-1 return on investments of Government dollars used for seed or catalytic funding for private resources or private initiatives in the international exchange field. We think that is a good ratio; we think it is a good investment; we think it is a good investment for the U.S. Government, and we rest our case.

Senator RUDMAN. Thank you very much, Mr. Gittins.

[The prepared statement of Mr. Gittins follows:]

PREPARED STATEMENT OF THOMAS GITTENS
VICE PRESIDENT
CONSORTIUM FOR INTERNATIONAL CITIZEN EXCHANGE

Mr. Chairman and Members of the Subcommittee:

First, may I express my appreciation to you and to the Subcommittee for making this time available to me today. I appear here this morning as elected Vice Chairman of The Consortium for International Citizen Exchange (brochure attached), a coalition of nine major organizations in the educational and cultural exchange field. I am Executive Vice President of Sister Cities International, a consortium member and the national organization of U.S. cities which now links 730 U.S. cities and their citizens with 1,100 "Sister Cities" in 84 nations of the world.

(Clerk's Note: Due to the volume of material submitted for this hearing, the brochure referred to above will not be printed in the hearing, but will be retained in the subcommittee files.)

In my testimony, I will speak on behalf of The Consortium as a whole, while drawing upon experiences of the Sister Cities program. The broad purposes of the Consortium for International Citizen Exchange are: to encourage the exchange of citizens among countries throughout the world; to increase public awareness of the importance and impact of international citizen exchange; and, to increase citizen involvement in international exchange.

My purpose in testifying is to emphasize the importance of adequate funding for the educational and cultural exchange programs of the United States Information Agency. At a minimum, these programs should be funded at the level of USIA's FY 85 budget request. All of these programs are important and deserving of support. However, I do want to focus my remarks on two categories of exchange programs which are vital to the private exchange field and where the investment of relatively small amounts of money results in substantial and long range benefits occuring at both the local and national level. These categories are the Private Sector Programs and the Youth Exchange Programs of USIA.

Let me refer first to the private sector program category. Although they may differ from one another in approach and structure, the private consortium organizations which receive funding from USIA's Office of Private Sector Programs have as a common theme the development of citizen exchanges between communities, between states, or between institutions and groups, in the U.S. and abroad. Sister Cities International is an example of one such private sector program. Other programs include the Partners of the Americas, which links U.S. states with countries in Latin America, and the Council of International Programs, which arranges exchanges among young professionals in fields such as special education, rehabilitation and social work.

While I will refer to private sector achievements resulting from this support from USIA in the context of the Sister Cities program, I want to stress that the points I make are equally applicable to the other private sector organizations.

All Sister Cities links, whether large or small, are locally planned and organized. A sister city committee, comprised of volunteers, designs its own program in response to local interests and raises its own funds to carry out that program. These programs are recognized by and supported by local government.

The United States Sister Cities Program:

(1) Offers an opportunity for U.S. cities and citizen committees through the Sister City affiliations to implement mutual programs of educational, cultural, professional, youth, municipal, artistic and technical exchanges;

(2) Fosters increased cross cultural understanding through continuous city-to-city relations focusing on citizen exchange activities and personal interaction;

(3) Facilitates and encourages continuing and increased two-way communication and interchange between citizens of the U.S. and citizens of other cultures through local sister city structures;

(4) Provides a forum for international interchange among local leaders from both the public and private sector;

(5) Provides opportunities for international communication and involvement at the local level for individuals and constituency groups within communities that heretofore have not had an international outreach.

The extent to which these efforts could be achieved with out the support of the Private Sector Program Office of USIA would be severely and drastically limited.

Last year alone, seventy three (73) new affiliations were developed between U.S. cities and cities in other countries. This would not be possible without support from USIA, combined with private and local contributions. Just one affiliation alone can result in hundreds of exchanges of persons and hundreds of thousands of dollars of budget resources all raised locally through the private volunteer structure. The return on investment is extraordinary.

In the interest of time, I will not attempt to give detailed illustrations, but I have included with this testimony a reprint from EUROPE magazine entitled "Sister Cities and Trade Promotion" and a booklet which briefly describes the programs of the 1982 Reader's Digest Foundation International Sister Cities Award recipients. These provide examples of the vast scope of community and citizen commitment to international exchange stimulated by a very small investment to our organization as well as other organizations through the private sector program office of USIA.

The second category to which I want to refer this morning is that of international youth exchange programs. Whether operated by long-standing youth exchange organizations (such as The American Field Service, The Experiment in International Living, Youth for Understanding) or by multi-faceted organizations (such as People to People or Sister Cities), youth exchange programs stem from the same premises: that exchanges among young people of an impressionable age have a far-reaching influence on the attitudes and values which they will adopt for the rest of their lives.

Frequently the exchange experience results in a reshaping of their thinking about future careers. The exchange experience increases young people's sophistication about the world around them, stimulates a commitment to language and learning, and leaves them with a keen interest in foreign affairs and America's role in the world community. Foreign students who come to the United States on exchange programs are affected in the same way. Even host families, who do not travel but who provide hospitality and understanding to youth from other countries gain immensely from their participation in the exchange experience.

The President of AFS International/Intercultural Programs, William Dyal, recently reported the some forty key members of the Japanese Foreign Service had once been AFS exchange students. That is an impressive statistic, but it should not be startling. The number of exchange students who go on to hold positions of leadership in this country and abroad is well known. It is important that these leaders have received accurate impressions of our country -- and we of theirs -- because of a first-hand living experience.

There are many who would agree that the increase of exchange of young people between the United States and other nations throughout the world is the best long range means to ensure mutual understanding and closer relations. Stronger ties among our young people can be built through expanded youth exchanges.

When asked which of their programs they considered most valuable and far-reaching, the majority of sister city participants who had such a program, from a survey group of 108 affiliations, pointed to their youth or student exchange program. When asked why they attached such importance to youth exchanges, informants generally replied along the lines of, "Because among the young are the leaders of tomorrow", or "As the twig is bent, so grows the tree." If mutual understanding among nations is to be achieved, the youth are seen as our best hope.

In 1982, USIA inaugurated the International Youth Exchange Initiative, a joint public/private effort to expand the number of youth exchanges between the United States and our Versailles economic trading partners. That initiative is being carried out by providing financial support to existing, high-quality exchange organizations which with this assistance can increase the scope of their programs. The Initiative will be expanded to include countries in the Third World.

We regard this Initiative as extremely important. We ask that USIA be given both encouragement and financial resources so that it can continue to carry out the International Youth Exchange Program successfully. We commend the Youth Exchange Office of USIA for the excellent job it is doing in motivating and supporting private youth exchange efforts.

That office provides crucial funding to private youth exchange organizations which enables those organizations to increase their own resources and their youth exchange activity.

In summary, The Consortium for International Citizen Exchange urges -- as a minimum -- full funding of USIA's FY 85 budget request for educational and cultural exchange programs and we call to your attention the provisions in the authorizing legislation which call for higher figures for those programs. Finally, we urge you to ensure that adequate funding for the Private Sector Programs and the Youth Exchange Programs of USIA is included in your appropriation.

The Sister Cities experience clearly demonstrates that government funding for international citizen and youth exchange efforts can leverage the resources that communities and private citizens themselves contribute to the program. Government funding strengthens the capacity of the national program and motivates local resource and program development. In short, a relatively small amount of money in the case of Sister Cities International -- and in the case of similar private sector organizations -- has a vast multiplier effect which helps unleash the creative energies, hard-work and commitment of volunteers nationwide to international exchange. Government support is important and we strongly urge that this kind of support be continued to private sector organizations with demonstrated records of achievement.

Thousands of volunteers every year invest unbelievable amounts of time, resources, talent and energy in building effective mechanisms for private citizen and youth exchange between the United States and other countries. This they do because they believe it is in the best interest of our nation. They are dedicated to continuing their efforts to build a base of understanding among peoples which will serve as a bulwark for peace for generations to come. All they ask is for some assurance that the U.S. government will continue, and hopefully increase, its investment in this process through proven citizen and youth exchange programs. We appreciate the fact that this subcommittee, with all of its pressing responsibilities, understands the importance of continued Congressional support for these programs and of the essential need ofcooperation between government and citizens in the field of international citizen and international youth exchange.

Thank you, Mr. Chairman, for the opportunity to express these views.

GEORGETOWN UNIVERSITY

STATEMENTS OF FATHER GEORGE AND FATHER BRADLEY

Senator RUDMAN. Father George.

Father GEORGE. I am Father William George. With me is Father Harold Bradley, special assistants to the president at Georgetown.

I thank the committee for support of juvenile justice program and international students exchange program and ask the committee to consider funding a legal information center and research. In the Nation's capital, there is a growing need for both agencies, the law professionals and the Congress, to have prompt, comprehensive access to legal information for their own researches in American and international law.

JUVENILE JUSTICE PROGRAM

The juvenile justice program, we deeply appreciate this support over the years. The committee's recommendation of $70 million for the Office of Juvenile Justice Delinquency program in 1984 is particularly appreciated.

INTERNATIONAL STUDENT EXCHANGE PROGRAM

The International Student Exchange program we take pride in. It has grown to where it has serviced over 1,000 students in its 5-year history. We have asked the committee to consider when it does consider the National Bipartisan Commission on Central America's funding for educational opportunities that there is a possibility, a good chance that the exchanges could be done considerably less expensively than the $100 million reported by the Bipartisan Commission. We support the fiscal year 1985 budget request of the Bureau of Educational and Cultural Affairs of USIA, and ISEP has grown to 127 universities from 22 different countries throughout the world.

We thank you for your support, and we appreciate the committee's interest.

[The prepared statements of Fathers George and Bradley follow:]

PREPARED STATEMENTS

REV. WILLIAM GEORGE, S.J.

SPECIAL ASSISTANT TO THE PRESIDENT OF GEORGETOWN UNIVERSITY

AND

REV. HAROLD BRADLEY, S.J.

SPECIAL ASSISTANT TO THE PRESIDENT OF GEORGETOWN UNIVERSITY

Mr. Chairman and members of this Committee, I am Father William George, S.J., Special Assistant to the President of Gerogetown University. With me is Father Harold Bradley, S.J., also Special Assistant to the President of Georgetown University.

We are pleased to have this opportunity to thank this Committee for its continuing support of the International Student Exchange Program and to report on its current activity. We wish to support the appropriation of increased resources for exchange programs as applicable under the provisions of the Mutual Educational and Cultural Exchange Act of 1961, Public Law 87-256. We wish to support the recommendations concerning developing Educational opportunities of the National Bipartisan Commission on Central America. Particularly we support the initiative for a program of 10,000 government-sponsored scholarships to bring Central American students to the United States and believe that it could be done for considerably less than the $100,000,000 mentioned in the report of the Bipartisan Commission.

We also support the FY '85 budget request of the Bureau of Educational and Cultural Affairs of USIA, especially their recommendation of a program for traditionally disadvantaged groups in the American Republics.

The International Student Exchange Program (ISEP) is currently an organization of about 127 universities and colleges 60 of which are foreign institutions in 22 countries. This program has been supported by your Committee since 1979. The purpose was to provide a one-for-one student exchange for participating institutions across the United States and abroad where the institutions provided the cost of education and living through their own programs.

The pilot period of four years which ended in FY '82 proved the wisdom of the Committee. Currently public and private institutions in thirty-four states and D.C. are in the program. More than 1,000 students have been exchanged in the last five years. This successful pilot has demonstrated a student exchange program where the cost to Federal government per student exchanged is less than conventional exchange programs.

ISEP requires funding only for administration, with all other program costs being provided by the member institutions and program participants. Since its beginning in January 1979, ISEP has exchanged 1000 students at a cost to the United States government of $1.9 million. Funding for the current fiscal year has been agreed upon by representatives of ISEP and USIA. Discussions between ISEP and the Agency on funding for the next fiscal year have begun.

On behalf of our President, Reverend Timothy S. Healy, S.J., we thank you for the opportunity to appear before this Committee.

Mr. Chairman, Members of the Subcommittee:

I am Father William L. George, S.J., Special Assistant to the President of Georgetown University.

Our Nation's Capital is the legislative center for justice, law enforcement and the source of all federal law. There is a growing need for agencies, law professionals and the Congress to have prompt and comprehensive access for their typical law researchers in American and International law. This access should not be limited to books, but include all forms, micro-forms, computers, telefax exchange, etc.

Georgetown University Law Center today plays a major role in making legal information available to the Washington legal community, whether federal agency, private law firm or the Congress. Many Georgetown students, especially those in the Law Center's Evening Division and Graduate School, work in the Department of Justice and FBI, other federal agencies, in federal courts, in Washington area law offices and the Congress. Georgetown faculty serve as advisors to local firms and agencies while many local judges, administrators and other attorneys serve as adjunct members of the Law Center faculty. Located within walking distance of many federal agencies, and easily available to downtown law firms, the law library makes a major collection of legal materials available to legal researchers. The members of the reference staff estimate that from 35 to 45 percent of their time may be spent assisting federal agencies and law offices directly or indirectly.

We would ask this committee to consider funds for the Department of Justice and FBI to participate in a project over a two year period to establish a Legal Information and Research Center for the Nation's Capital. Taking into consideration the increased needs of certain agencies, a law library facility at Georgetown designed with these expanded capabilities would be in the national interest. This would expand and enhance the legal community's access to essential legal research resources, and foster an improved interface between prominent legal scholars and the legal researchers of all three branches of the Federal Government.

On behalf of our President, Rev. Timothy S. Healy, S.J., thank you for the opportunity to testify before this committee.

GEORGETOWN UNIVERSITY
WASHINGTON, D.C. 20057

March 1, 1984

Honorable Paul Laxalt
Chairman, Subcommittee on Commerce,
Justice, State and Judiciary
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am Father T. Byron Collins, S.J., Assistant to President Healy of Georgetown University. I thank the committee for the opportunity to testify on the Office of Juvenile Justice and Delinquency Prevention (OJJDP).

First, I want to thank the committee for its recommendation of the $70 million appropriation for OJJDP for FY'84, and particularly for its support in directing OJJDP to provide $1,400,000 of that appropriation "to continue the coordinated, national law-related education program." That program appears to be right on schedule in its goal of preventing delinquency by educating young persons about their responsibilities under the law.

In accordance with the OJJDP - approved plan, the law-related education program has concentrated its efforts in developing and implementing programs in three states in FY'84: California, North Carolina, and Michigan. Georgetown University Law Center has been closely associated with law-related education in these states.

Evaluation results show that, when properly implemented, law-related education can reduce juvenile delinquency. These demonstration programs are now ready to be replicated across the country.

Legislation is being introduced in Congress to create a national center for law-related education that would make this exemplary law-related education program more available to young persons throughout the nation. When this proposed national center becomes law, I am asking the committee to consider an appropriation of $4 million for the center for its first year of operation. Georgetown University has long been involved in law-related education and is likely to be a major resource of the center.

Thank you.

Sincerely yours,

T. Byron Collins, S.J.

STUDENT AID IN CENTRAL AMERICA

Senator RUDMAN. Do you believe that the aid for the Central American program can be done for less than the amount that is being requested? They requested $100 million for 10,000 students. That would be $10,000 per student. Do you think it can be done for less than that?

Father GEORGE. I think so, Mr. Chairman. From our history and Father Bradley would have more——

Senator RUDMAN. I wonder if you both would submit for the record your rationale for that. That would be helpful to the committee.

Father BRADLEY. That is fine. If I am going to submit it for the record, that is fine, Mr. Chairman.

Senator RUDMAN. Do you have any other comments?

Father BRADLEY. No, except by inference, we say here we have exchanged 1,000 students at a cost to the Government of $1.9 million. By inference, the Kissinger Commission thing could be done for less than $100,000 to the Federal Government. The cost is the same, but the cost to the Federal Government——

Senator RUDMAN. Well, that is what we are interested in. Will you submit that to us?

Father BRADLEY. Yes, sir.

Senator RUDMAN. We will, perhaps, take it up with the Commission.

Father BRADLEY. We will be happy to.

[The information follows:]

GEORGETOWN UNIVERSITY
WASHINGTON, D.C. 20057

March 30, 1984

Honorable Paul Laxalt
Chairman, Subcommittee on Commerce,
Justice, State, and the Judiciary
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Laxalt:

In response to your Committee's request we submit a more detailed answer to the question asked us concerning scholarships to students from Central America.

We would suggest that we could organize a training program for half of the students mentioned by the Bipartisian National Commission, that is 5000, for about $15 million dollars. In securing academic placements for these students Georgetown University would utilize the experience of the International Student Exchange Program (ISEP), which has a six year history of successful academic placements at institutions of higher learning in the United States.

ISEP represents a network of a hundred-and-twenty-five institutions in twenty-two countries that exchange students on a one-for-one basis. ISEP provides for the administrative and financial structure to carry out these exchanges on a regular basis. The ISEP model is uniquely suited to carrying out the objective of this exchange program because of the network of U.S. institutions and exchange mechanism already in place. By tapping into this already well established network Georgetown University would have access to the academic resources available to ISEP member institutions across the United States.

Thank you for your interest.

Yours Sincerely,

Harold Bradley S.J.
Harold Bradley, S.J.
Assistant to the President

William L George S.J.
William George, S.J.
Assistant to the President

Senator RUDMAN. Yes, Mr. Gereben.

Mr. GEREBEN. I would like to quote one sentence from one of the articles which has been written by the participants of this exchange program after returning to Hungary. He says, "This country's orientation . . . about 35 or 40, everyone starts to lose touch with life and feels everything is finished."

Senator RUDMAN. Which country now?

Mr. GEREBEN. The United States, and I was sitting through these hearings today and the average age, to my estimation, was well above the 40's and certainly the sentence——

Senator RUDMAN. Unfortunately——

Mr. GEREBEN [continuing]. And the Senate's average age is over 40, so I take it this is an indication of how qualifications are and how effective this program is.

Senator RUDMAN. Thank you all very much.

INTRODUCTION OF PANEL VI

Our final group of witnesses have been very patient, although I will say that during your wait you have enjoyed some interesting testimony. Our last panel is Roger Conner, Dr. M. Rupert Cutler, John J. Martin, and Patricia McMahon.

Panel VI

JUSTICE DEPARTMENT AND RELATED AGENCIES PROGRAMS

STATEMENT OF ROGER CONNER, EXECUTIVE DIRECTOR, FEDERATION FOR AMERICAN IMMIGRATION REFORM

ACCOMPANIED BY:

M. RUPERT CUTLER, EXECUTIVE DIRECTOR, THE ENVIRONMENTAL FUND

JOHN J. MARTIN

PATRICIA McMAHON, CHAIRPERSON, FUNDING CRITERIA COMMITTEE, PROJECT ADVISORY GROUP

BUDGET SUPPORT FOR INS

Mr. CONNER. Thank you. I am Roger Conner, and I am executive director of the Federation of American Immigration Reform, better known as FAIR. We are the country's largest organization exclusively devoted to immigration reform matters. You have my testimony for the record and I want to really highlight three points.

First is that we vigorously and enthusiastically support the administration's request for increased funding for the Immigration and Naturalization Service and also increased number of positions. Essentially, the administration's request is to begin a rebuilding of the enforcementability of the Immigration and Naturalization Service. We support that. What I would like to highlight from my testimony is the fact this should be seen as the first step in rebuilding an agency that has really collapsed under the pressure of exploding immigration over the past 15 years.

At the bottom of page 3 of my testimony, I point out a few statistics that I think illustrate the growth of the pressures.

From 1970 to 1982, legal immigration to the United States grew by 63 percent. In the same period, or roughly the same period, refugee admissions averaged 10 times the 1970 rate. Between 1970 and 1982, foreign visitors to the United States increased by more than 157 percent. In that same period the number of deportable aliens increased by 253 percent. Those are rough indices of the growth in the number of people and the pressures on this agency.

In that same 12-year period, INS personnel increased by only 51 percent. The result is that the INS has become one of the most criticized, one of the most complained about agencies in the entire Federal Government. I am sure your office, as every other congressional office, has to devote staff time now to try to help people whose files have been lost, whose cases have been processed.

What really has happened is, we have got an agency that is processing about 250 million people a year who want to deal with that agency in some way, and they have got a staff smaller than the New York City or Chicago police force. It ought not come as any surprise that we have auxiliary staff people in every congressional office to help these people do its work.

Another revealing statistic that illustrates the point is that in 1970, it took the Immigration Service at the border approximately 13.4 manhours in order to have a successful apprehension of illegal immigrants. By 1975, it was down to 5.7 hours and 1983 down to 4 hours. The reason for that is not that they have gotten that much more efficient doing basically the job, it is the numbers coming across have grown startingly.

The last point I would like to make is some people ask whether it is sound to increase the INS budget in a year everyone wants to reduce the deficit. Our answer is, it is a very sound investment in deficit reduction. The administration completed a study showing at the very minimum the taxpayers are shelling out over $900 million for every legal immigrant able to come in and settle in this country. It is a deficit reduction, but it is only a first step.

Senator RUDMAN. Thank you very much, Mr. Conner.

[The prepared statement of Mr. Conner follows:]

PREPARED STATEMENT OF ROGER CONNER
EXECUTIVE DIRECTOR
FEDERATION FOR AMERICAN IMMIGRATION REFORM (FAIR)

Mr. Chairman, members of the Subcommittee, thank you for the opportunity to testify in support of the Fiscal Year 1985 budget request for the Immigration and Naturalization Service (INS).

My name is Roger Conner. I am Executive Director of FAIR, the Federation for American Immigration Reform. FAIR is a national non-profit membership organization working to educate the American people about the need to reform U.S. immigration policy to reflect the realities of the 1980's.

We believe illegal immigration is contrary to the best interests of the United States, and that it exacerbates many of the problems currently facing this nation. These problems include unemployment, inflation, and mounting budget deficits.

FAIR strongly supports the Administration's request for a budget increase of $63.9 million and an additional 872 postions for the Immigration and Naturalization Service. The INS has long been one of the most underfunded and understaffed of federal agency's. Unfortunately, a single budget request will only begin to address the very serious disrepair into which the INS has been allowed to lapse.

I believe Congress does not fully recognize the awesome responsibilities bestowed on the INS. With a staff smaller than that of the New York City or Chicago Police Departments, the Immigration and Naturalization Service must patrol over 2,000 miles of land border with Mexico, over 3,750 miles of land border with Canada, admit or deny 250 million persons crossing our border every year, apprehend illegal aliens living and working in the United States, keep naturalization records and records on Permanent Resident Aliens, extend visas held by foreign visitors, develop secure documents for alien identification, and investigate thousands of violations of the Immigration and Nationality Act. With only 400 Border Patrol agents on duty at any time to guard the entire U.S.-Mexican border, these officers apprehend over 3,000 illegal aliens a day sneaking into the U.S.

Last year, the Immigration and Naturalization Service apprehended 1.2 million illegal aliens in the United States -- the largest number in history. And though no one knows for sure, immigration scholars estimate that at least 6 to 8 million illegal aliens have already settled in the U.S. Despite their tax contribution, government studies indicate this sizeable population is costing American taxpayers at least $7.56 to $10 billion dollars a year.

If the 1.2 million illegal aliens apprehended by the INS last year had actually entered this country, the net cost to U.S. taxpayers of these additional residents would have been $1.51 billion -- well over twice the budget of the entire service.

Now consider this: INS officials estimate that for every illegal alien apprehend by the U.S. Border Patrol, at least two others successfully slip in undetected. Clearly, when one considers the alternatives, controlling illegal immigration is well worth the cost.

It is important for this Committee to realize that the Immigration and Naturalization Service has been underfunded for over 15 years. And while funding increases have been slight or non-existent, the press of humanity seeking to enter the United States has grown by leaps and bounds. Consider these facts:

- o Between 1970 and 1982 (the last year for which data is available), legal immigration to the United States increased by 63 percent.
- o Between 1975 and 1982, refugee admissions averaged over 100,000 -- ten times the 1970 rate.
- o Between 1970 and 1982, foreign visitors to the U.S. (non-immigrants in INS terminology) increased by more than 157 percent.
- o Between 1970 and 1983, the number of deportable aliens apprehended by the INS increased by 253 percent.

While the INS work load doubled and then tripled between 1970 and 1982, INS personnel during this period increased by only 51 percent. The result: the immigration service has been unable to adequately inspect persons coming into the United States or to patrol the 5,750 miles of land border we share with Mexico and Canada. The workload would be comical if it weren't so frightening. Consider this: day in and day out, week after week, the average INS inspector "interviews" 100 applicants an hour for admission. Under rush-hour conditions at busy ports of entry such as at San Diego and El Paso, individual inspectors are forced to screen hundreds of applicants an hour (in other words, they just stand aside and wave them through)..

Perhaps the most revealing change since 1970 is this: In 1970, it took, on average, about 13.4 man hours to apphrehend an illegal alien. Since then, apprehension time has decreased steadily, to 5.7 hours in 1975 and 4.0 hours in Fiscal Year 1983. This is not the result of increased efficiency or equipment -- there have been only minor changes in this area. The flow is simply so great that it is much easier for the agents to make apprehensions.

But the U.S. Border Patrol has probably reached the saturation point. Though more illegal aliens are crossing than ever before, the immigration service is unable to cope with the flow: an ever increasing percentage of illegal aliens are successfully entering this country. The result: more unemployment, a greater burden on U.S. taxpayers, and a substantive contribution to the national deficit.

I would like to commend the members of this committee for their willingness to work for an increase in INS funding at such a critical juncture in the renovation of U.S. immigration law. Though the Simpson-Mazzoli bill currently before Congress is absolutely critical, it alone will not stem the tide of illegal aliens currently flooding into the U.S. In fact, should the final bill contain a recent-date amnesty and seriously weakened employer sanctions, it could actually encourage illegal immigration.

If illegal immigration is to be brought under control, a comprehensive campaign will have to be fought. A prohibition on the hiring of illegal aliens, such as the Simpson-Mazzoli bill proposes, is only one facet of such a campaign. Enforcement of current immigration laws must be another.

If the Simpson-Mazzoli bill contains a blanket amnesty, it will only encourage illegal immigration. Because fraudulent documents are readily available throughout Mexico and United States, illegal immigrants will migrate to the U.S., in the hopes of fraudulently qualifying for the amnesty program. There is little doubt the surge of illegal entrants along the U.S. border will be without precedent.

I do not want to sound alarmist, but I do want to make clear that the Administration's budget request for Fiscal Year 1985 is not enough to counter the pressures that will be felt along the southern border if the Simpson-Mazzoli bill becomes law. There will be pressure to pull line officers off line duty to process hundreds of thousands, perhaps millions, of amnesty applications. If additional funding and manpower are not in place at the time of legalization, the Immigration and Naturalization Service will be powerless to turn the tide. Now is the time to begin building up the Border Patrol.

I would like to make one final point. Since 1980, illegal alien apprehensions have increased by 32 percent, while the overall staffing level of the INS has actually decreased by 300 positions. In this light, an 872-position increase for the Immigration and Naturalization Service is modest indeed.

In conclusion, let me say that we strongly support the Administration's Fiscal Year 1985 budget request. Adequate funding for the Immigration and Naturalization Service is long overdue. But a single appropriation can never serve as a panacea for a federal agency as severely malnourished as the INS. It will take sustained funding over a period of several years, before the INS will be strong enough to shoulder the weight of the responsibilities it has been given. The budget request before you today is most definitely a step in the right direction.

Mr. Chairman, we appreciate the opportunity to present the views of the Federation for American Immigration Reform (FAIR) to the Committee. I would be happy to answer any questions you might have at this time.

Selected Measures of International Migration to the US (or their proxies) FYs 1970-1983

	LEGAL		TEMPORARY	ILLEGAL
FISCAL YEARS	IMMIGRANTS (1)	REFUGEES (2)	NONIMMIGRANTS (3)	APPREHENSIONS OF DEPORTABLE ALIENS (4)
1970	373,326	9,883	4,431,880	345,353
1971	370,478	6,361	4,403,761	420,126
1972	384,685	10,396	5,171,460	505,949
1973	400,063	9,808	5,977,324	655,968
1974	394,861	9,076	6,908,708	788,145
1975	386,194	146,158	7,083,937	766,600
1976	398,613	27,000	7,654,491	875,915
1977	462,315	20,000	8,036,916	1,042,215
1978	601,442	36,500	9,343,710	1,057,977
1979	460,348	111,000	9,390,000*	1,076,418
1980	530,639	207,000	no data	910,361
1981	596,600	159,000	11,600,000*	975,780
1982	610,000*	97,279	11,400,000*	970,246
1983	not yet available	60,622	not yet available	1,220,837

*Estimate or partial estimate.

Compiled by David S. North, New TransCentury Foundation, February, 1984

For definitions and sources see explanatory note on following page.

- EXPLANATORY NOTE -

The preceding table is not completely homogeneous: definitions shift from column to column and from year to year. This is mainly due to the complexity of the field and the government's neglect of immigration data.

While the count of arriving refugees (column 2) is quite good, the numbers noted in column 1 reflect both the number of immigrants arriving that year and some fraction of refugees who arrived in previous years and subsequently adjusted their status. Because of this, column 1 reflects a certain amount of double counting since 1979, exagerating the true numbers by as much as 100,000 in some years. On the other hand, the arrival of more than 125,000 Cuban and Haitian entrants in 1980 is not recorded anywhere on the table, as they do not fit neatly into any single INS category.

The Immigration and Naturalization Service's nonimmigrant (temporary visitor) data system completely collapsed in 1980, and has not yet fully recovered. What is recorded in column three are the admissions (first entries) of tourists, foreign students, diplomats and other persons who entered the United States on a temporary (and legal) basis.

The final column can be viewed only as a rough proxy of illegal entries into the United States. What it records are apprehensions, not people. Many people are caught several times a year by the INS. Others enter the country repeatedly without trouble. Although the INS had more Border Patrol agents in 1983 than in 1970, the increase in arrests primarily reflects an increase in illegal traffic, not an increase in enforcment resources. As an indication of this, the number of agent-hours needed for an arrest dropped sharply between 1970 and 1984.

Sources: Column 1: 1970-1980 INS Annual Reports; 1981, by telephone from Statistics branch, INS; 1982, estimate published in Washington Post, January 9, 1984.

Column 2: 1970-1981, Washington Post article of January 9, 1984; 1982 from Refugee Reports Washington Office, by phone; 1983, from "Office of Refugee Resettlement Monthly Data Report for September, 1983," ORR-DHHS.

Column 3: 1970-1979, from 1979 Statistical Yearbook of the Immigration and Naturalization Service, Table 15 for subsequent years by telephone from INS Statistics Branch.

Column 4: 1970-1980, from the Annual Reports and Statistical Yearbooks of INS (Table 52 in 1980; Tables 30 in 1976-1979, and Tables 27B in 1970-19750: subsequent years by telephone from the Office of the Associate Commissioner: Enforcement, INS.

ENVIRONMENTAL FUND

STATEMENT OF M. RUPERT CUTLER

Senator RUDMAN. Mr. Cutler.

Mr. CUTLER. Thank you, Mr. Chairman. It has been a fascinating morning. I am the new executive director of the environmental fund, public foundation whose offices are here in Washington. We attempt to publicize a clear relationship between continued population growth and decline in environmental quality. We appreciate this opportunity to testify and support the administration's recommended $41.4 million budget increase for the Immigration and Naturalization Service enforcement activities in fiscal year 1985. The environmental fund strongly urges the subcommittee to agree with the administration's $574.5 million budget request for the Immigration and Naturalization Service. The net increase of $63.9 million over last year of this agency includes $41.4 million for enhanced law enforcement primarily on our understaffed southern border. Adequate funding for the INS, if coupled with appropriate changes in the authorizing statutes, such as the employer sanctions provision of the Simpson-Mazzoli bill, would enable the United States to begin to regain control of its now porous borders.

ILLEGAL ALIEN PROBLEMS ON SOUTHERN BORDER

The United States has indeed lost control of its borders. Apprehensions of illegals at the southern border alone were a record 1.1 million last year and are running 17 percent higher this year.

Between 1963 and 1983, apprehensions increased almost 3,000 percent while INS staff numbers rose only by 50 percent. The administration's fiscal 1985 request for increased enforcement resources includes the following:

Border patrol, $35.4 million and 850 positions; detention and deportation, $5.2 million and 108 positions; and antismuggling, $810,000 and 19 positions.

The tremendous pressures abroad which encourage illegal immigration to the United States, so-called push factors, show no sign of abating in the near future. The population of the less developed countries will jump from 2.3 to 3.6 billion by the year 2000, only 16 years from now.

Moreover, between 1980 and 2000, new job seekers in the LDC's will number some 800 million. That is more than the number of jobs currently existing today in all the world's developed countries combined. Mexico's population, 70 million today, is expected to increase by 46 million by 2000. These pressures, when combined with lax immigration enforcement and the so-called Texas proviso, point toward increasing immigration problems for the United States.

One of the many problems for the United States created by uncontrolled immigration is rapid population growth. Net immigration accounts for nearly half of U.S. population growth. If the current trend continues, the U.S. population, now 234 million, will rise to between

281 and 291 million by the year 2000. Such rapid growth will exacerbate efforts to resolve critical environmental, natural resource, economic, and budget problems at both Federal and State levels.

BUDGETARY IMPACTS OF ILLEGAL IMMIGRATION

The budgetary impacts of the illegal immigration problem, Mr. Chairman, are enormous and growing. In 1978, the Census Bureau issued a cautious estimate of the number of illegal aliens in the United States of 3.5 to 6 million. In the intervening 6 years, we at the environmental fund estimate illegal immigration has continued at 500,000 to 1 million annually. An update of the original census estimate places the range of illegals now in the United States at 6.5 to 12 million. If just 25 percent of these illegal immigrants take jobs away from legal residents, that means between 1.6 and 3 million Americans are unemployed as a result. The budgetary impact of unemployment of this magnitude is $11.2 to $21 billion in annual transfer payments alone. That is food stamps, aid to dependent children, and so forth. There is a growing body of empirical evidence to suggest that job displacement caused by the employment of illegal aliens is a serious problem. The fiscal impact of job displacement resulting from illegal immigration far exceeds the proposed $41.4 million increase for enhanced Immigration and Naturalization Service enforcement activities.

[The prepared statement of Mr. Cutler follows:]

ENVIRONMENT POPULATION
THE ENVIRONMENTAL FUND

PREPARED STATEMENT OF DR. M. RUPERT CUTLER
EXECUTIVE DIRECTOR

Mr. Chairman and members of the Committee, I am M. Rupert Cutler, Executive Director of The Environmental Fund whose offices are in Washington, D.C. Thank you for this opportunity to testify in support of the Administration's recommended $41.4 million Budget increase for Immigration and Naturalization Service enforcement activities in Fiscal Year 1985.

EXECUTIVE SUMMARY

The Environmental Fund (TEF) strongly urges Congressional agreement with the Administration's $574.5 million Fiscal Year 1985 budget request for the Immigration and Naturalization Service (INS). The net increase of $63.9 million over last year for this agency includes $41.4 million for enhanced immigration law enforcement, primarily on our understaffed southern border. Adequate funding for the INS, if coupled with appropriate changes in the authorizing statutes, such as the employer sanctions provision of the Simpson-Mazzoli bill, would enable the U.S. to begin to regain control of its now-porous borders.

The U.S. has indeed lost control of its borders. Apprehensions of illegals at the southern border alone were a record 1.1 million last year and are running 17 percent higher this year. Between 1963 and 1983 apprehensions increased almost 3,000 percent, while INS staff numbers rose only by 50 percent. The Administration's FY85 request for increased enforcement resources includes the following:

- Border Patrol, $35.4 million and 850 positions;
- Detention and Deportation, $5.2 million and 108 positions;
- Anti-Smuggling, $810,000 and 19 positions.

The tremendous pressures abroad which encourage illegal immigration to the U.S. -- the so-called "push" factors -- show no sign of abating in the near future. The population of the less developed contries (LDCs) will jump from 2.3 to 3.6 billion by the year 2000. Moreover, between 1980 and 2000 new job seekers in the LDCs will number some 800 million. That is more than the number of jobs currently existing today in all the world's developed countries combined. Mexico's population, 70 million today, will increase by 46 million by 2000. These pressures, when combined with lax immigration enforcement and the "Texas Proviso", point toward increasing immigration problems for the U.S.

One of the many problems for the U.S. created by uncontrolled immigration is rapid population growth. Net immigration accounts for nearly half of U.S. population growth, one of the fastest growth rates of any industrialized nation. If the current trend continues, the U.S. population, now 234 million, will rise to between 281 to 291 million by the year 2000. Such rapid growth will exacerbate efforts to resolve critical environmental, natural resource, economic and budget problems at both federal and state levels.

The budgetary impacts of the illegal immigration problem, Mr. Chairman, are enormous and growing. In 1978, the Census Bureau issued a cautious estimate of the number of illegal aliens in the U.S. of 3.5 to 6 million. In the intervening six years, we at The Environmental Fund estimate illegal immigration has continued at 500,000 to 1 million annually (veteran Border Patrol agents cite even larger figures). An update of the original Census estimate places the range of illegals now in the U.S. at 6.5 to 12 million. If just 25 percent of these illegal immigrants take jobs away from legal residents, that means between 1.6 and 3 million Americans are unemployed as a result. The budgetary impact of unemployment of this magnitude is $11.2 to $21 billion in annual transfer payments alone. There is a growing body of empirical evidence to suggest that job displacement caused by the employment of illegal aliens is a serious problem. The fiscal impact of job displacement resulting from illegal immigration far exceeds the proposed $41.4 million increase for enhanced INS enforcement activities.

The budget increase for INS would be an intelligent use of scarce public funds; failure to adopt it would be penny-wise and pound foolish. This increase for INS alone will not do the job of controlling illegal immigration. But if it is coupled with enactment of strong and fair employer sanctions -- the cornerstone of the Simpson/Mazzoli bill -- we would begin to see the U.S. regain control of its borders and in turn, regain control over the future size of the U.S. population. Of course, if Simpson/Mazzoli becomes law, a supplemental appropriation for INS will be necessary.

THE ENVIRONMENTAL FUND

The Environmental Fund is a non-profit foundation that studies the impacts of U.S. population size and growth on our economy, our natural resources, and the environment. The Fund is unique among population and environmental organizations because its major objective is to persuade the United States to adopt a population policy that will stabilize the number of people at a level that will enable us to use our natural resources at a sustainable rate, thereby preventing damage to our environment.

THE IMPORTANCE OF IMMIGRATION CONTROL

The Environmental Fund focuses on immigration because our studies show that immigration is a major determinant of the size of America's population in the future. In fact, immigration, both legal and illegal, accounts for nearly half of U.S. population growth (Appendix, table 2). Our computer studies show that the U.S. population of 226 million in 1980 will grow to 279 million by the turn of the century and to 336 million by the year 2030 if current trends continue.(Appendix, table 1)

If net immigration was reduced to 500,000 per year, the U.S. population would increase to 263 million by the year 2000 and to 291 million by the year 2030. This is approximately what will occur if the current Simpson version of the immigration reform bill is enacted into law and is effectively enforced.

It is this second point, the need for adequate enforcement, that I wish to underscore this morning.

Regardless of the outcome of the debate on the Simpson/Mazzoli Immigration Reform and Control Act, a bill which The Environmental Fund strongly supports, the INS is long overdue for a major budget increase for its historically understaffed enforcement activities. U.S. borders are, in the words of outgoing Attorney General William French Smith, "out of control." Certainly the evidence supports his claim.

While the number of Border Patrol personnel increased by only fifty percent between 1963 and 1983, the number of apprehensions rose nearly three thousand percent during this period. Apprehensions at the Southern border were an unprecedented 1.1 million last year and are running 17 percent higher this year. It has been said, during the immigration debate, Mr. Chairman, that at any given moment, there are more law enforcement officials patrolling the two square miles of Capitol Hill than there are agents patrolling the 1,950-mile border with Mexico. Most of the illegal immigrant traffic occurs in several busy areas, namely the Chula Vista, California and El Paso, Texas border sectors, and increased enforcement should be targeted to these areas.

This budget increase for INS is directed toward the enforcement of existing laws and is not tied to pending legislation. Increased enforcement resources have been requested for the following activities:

- Border Patrol, $35.4 million and 850 positions;
- Detention and Separation, $5.2 million and 108 positions;
- Anti-Smuggling, $810,000 and 19 positions.

If and when the Simpson-Mazzoli immigration reform bill becomes law, a supplemental appropriation will be necessary to insure effective implementation of the new law.

I will confine my remarks to the current needs of the INS. For the record, however, The Environmental Fund believes that, until the United States prohibits the employment of illegal aliens through adoption of employer sanctions, increased enforcement alone will not stem the tide of illegal immigration. Many experts concur with this judgement, including Border Patrol Agent Larry Richardson who recently expressed this view on the CBS Evening News (2/26/84).

Whether or not Simpson-Mazzoli becomes law, Mr. Chairman, the incentive to migrate illegally to the U.S. certainly will increase as deplorable living conditions continue to plague the world's less developed countries.

THE "PUSH" FACTORS

Mr. Chairman, I would like to call your attention to the staggering "push" factors of overpopulation, unemployment and poverty that motivate people in less developed countries to immigrate illegally and that play a great role in creating America's immigration problem.

The Environmental Fund has compiled population, labor force and new job requirement data for the world's less developed countries. Based on these statistics we have run computer projections that indicate the staggering magnitude of the "push" factors.

The 1980 combined population of the LDCs was 2.3 billion and will grow to 3.6 billion by the year 2000 and to 5.6 billion by 2030.

(Appendix, table 4) These numbers are based on United Nations statistics that take into account an optimistic assessment of reduced fertility in the future. The labor force of the LDCs in 1980 stood at 843 million. By the year 2000 this number will nearly double to 1.43 billion and will more than triple by the year 2030, reaching 2.56 billion. (Appendix, table 5) In 1980, annual new job requirements for the LDCs stood at 22.7 million. By the year 2000, 37.5 million new jobs will be required annually to satisfy the demand for employment. This number will rise to 41.4 million annually by 2010. Only then will the annual number of new job requirements begin to decline and reach 28 million by the year 2030. (Appendix, table 6)

MEXICO'S PROBLEMS

Mexico, while better off than most other LDCs, faces serious domestic problems that virtually guarantee it will continue to be a primary contributor of illegal immigrants to the U.S.

Basically, three forces combine to make up the "push" factors that motivate Mexicans to seek work in the United States. The first is the pressure of overpopulation that has created massive immigration to Mexico's cities and to the U.S. At the turn of the 20th century, Mexico had 14 million people. By 1960 it had more than doubled to 36 million. By 1980 the number had risen to 70 million. Taking into account the optimistic fertility decline predicted by the government, Mexico will count 116 million by the year 2000 and 185 million by 2030. (Appendix, table 7) An increase of 115 million by 2030 is equal to over five times the present population of California. In 1980 the Mexican labor force counted 20.3 million workers. About 40 percent of it was unemployed or underemployed. By the year 2000 the labor force will have grown by 77 percent to 35.9 million. By the year 2030 the total number of Mexicans in the labor force will be 65.6 million. (Appendix, table 8) TEF calculates that the annual new job requirement in 1980 was 651,730. By the year 2000 the annual number of jobs required will be 969,040 and by the year 2030 that number will have risen to 1,066,540. (Appendix, table 9)

Mexico exported grain in significant quantities before 1970. Since that time it has become a net importer of all the basic foodstuffs: corn for tortillas, wheat for bread, beans and rice as well as soybeans for cooking oil. During a period when Mexico's agricultural production grew by only 15%, the demand for these products grew by 50%. In short, without huge imports Mexico cannot feed its people.

Mexico has discovered a treasure that surpasses even its wildest hopes. But the new petroleum and natural gas industry cannot create the many new jobs needed to solve the unemployment problem. There was a time when Mexico thought that mechanized agriculture was the answer, but again high-technology agriculture does not create jobs, it eliminates them. In 1978 it cost the equivalent of $8,000 U.S. dollars to create an agricultural job. Today the cost is much higher.

Mexico calculates that it must build 500,000 new houses annually to take care of the growing population that is filling its cities to overflowing. The cost for this was one hundred billion pesos annually in 1978 and has risen much higher today. The task of providing the minimum education for Mexico's growing numbers of young people is staggering. We can get some idea of the proportions of the problem when we realize that half of Mexico's people are children and teenagers below 16 years of age.

Today we read that Mexico's foreign debt totals $80 billion. Approximately $30 billion of this amount is owed to U.S. banks. Since the recent drop in the price of oil, there is little hope that Mexico will be able to meet its obligations. In 1980 Mexico created just about enough jobs to take care of the people entering the job market. That means that the unemployment rate did not rise that year. During 1982, the Mexican economy lost 400,000 jobs, which is a staggering blow to those who seek employment. Mexico's unemployment actually grew by more than one million in 1982.

INS FUNDING AND BUDGET SAVINGS

At a time when $200 billion annual budget deficits loom large for as far as the eye can see, careful scrutiny obviously is required of all requests for additional program funds. If the Administration's request is approved, INS enforcement activities will total $296.2 million, a 23 percent increase over FY84 levels.

In my view, there is a sound rationale for granting INS such an increase in enforcement funding: Most illegal immigrants come to the U.S. in search of work, and do indeed find employment, often displacing legal resident workers. This is often called the displacement factor, and there is a growing body of empirical research to support this argument. Most experts peg the annual flow of illegal immigrants to the U.S. at 500,000 to 1 million. Some, like myself, would say it is even higher, but let us assume the midpoint estimate of 750,000. Mindful that most illegal aliens come to the U.S. to work, let us assume further and rather conseratively that 25 percent of the 750,000 illegal entrants actually displace legal residents in the work force. This means that in just the current year, 187,500 Americans will lose their jobs because of illegal immigration. When factored with the 1979 CBO estimate of $7,000 in transfer payments per unemployed worker, you see that the cost to the U.S. Treasury is $1.3 billion for one year. This large outlay is more than twice the INS budget request for FY85.

Illegal immigration has gone on for many years, and the number of illegal immigrants now in the U.S. may be as high as 6.5 to 12 million. This is derived from a 1978 estimate of the Census Bureau's of 3.5 to 6 million. Because this estimate is six years old, I have added an assumed annual flow of illegal immigrants of 500,000 to 1 million.

If one assumes that just 25 percent of the six to twelve million illegal aliens take jobs from legal residents, the result is unemployment for 1.6 to 3 million Americans. That corresponds to $11.2 to $21 billion in yearly transfer payments for legal workers displaced by illegal workers (Appendix, table 3). I use this example, Mr.

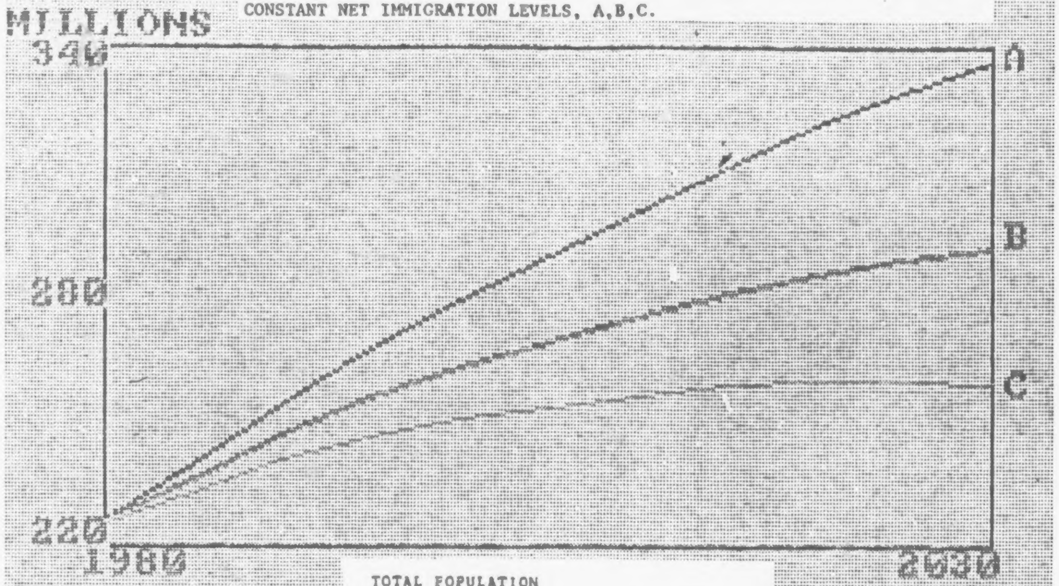
Chairman, to demonstrate what occurs over time in absence of both employer sanctions and adequate funding for enforcement. The numbers speak for themselves.

In conclusion, I wish to emphasize that control of illegal immigration is in the national interest, both because significant budget savings will accrue from reduced job displacement and because continued U.S. population growth is sure to have an adverse effect on the quality of life for all Americans, as more people demand their share of a fixed supply of natural resources and environmental amenities. It is in this light that I hope you will measure the importance of the Administration's proposed budget increase for Immigration Naturalization Service enforcement activities.

Thank you.

TABLE 1

U.S. TOTAL POPULATION ASSUMING 1980 FERTILITY AND MORTALITY WITH THREE CONSTANT NET IMMIGRATION LEVELS, A,B,C.



TOTAL POPULATION
MILLIONS

YEAR	PROJECTION A	B	C
1980	226.51	226.51	226.51
1985	239.81	236.24	233.69
1990	254.26	246.77	241.42
1995	267.26	255.57	247.23
2000	278.91	262.83	251.34
2005	289 72	269.07	254.33
2010	300.55	275.21	257.1
2015	311.13	280.95	259.4
2020	320 9	285.78	260 69
2025	329.43	289.29	260 62
2030	336 44	291.29	259.03

* see notes on following page

A= NET 1.2 MILLION IMMIGRANTS ANNUALLY
B= NET 0.5 MILLION IMMIGRANTS ANNUALLY
C= NET OF 0.0 IMMIGRANTS ANNUALLY

Explanatory notes for table 1

Total U.S. Population (in millions)

Notes: There are three projections (using the cohort-component projection model) based on various assumptions. With the exception of the three different migration levels, all the other demographic variables are kept constant across all three projections. The three primary demographic variables and the data assumptions are as follows:

Fertility is being measured by Total Fertility Rates (TFR = the average number of children that would be born alive to a woman during her lifetime if she were to pass through all her child-bearing years conforming to the age-specific fertility rates of a given year.

QUIC DATA* assumes that for all 50 years the TFR will remain constant at its 1980 level of 1.86.

Mortality is being measured by life expectancy at birth (i.e., an estimate of the average number of additional years a person can expect to live, based on the age-specific death rates for a given year). Since this measure differs signficantly depending on a person's sex, QUIC DATA gives separate life expectancy values for males and females.

Males: 1980 = 69.5 years
2030 72.0 years

Females: 1980 = 77.2 years
2030 = 81.0 years

Migration is being measured in terms of net migration (i.e., the net effect of immigration and emigration of an area's population; this can be expressed as an increase (immigration) or a decrease (emigration)). QUIC DATA assumes that the amount of immigration to this country (i.e., the process of entering one country from another to take up permanent residence) will exceed that of emigration from this country (i.e., the process of leaving one country to take up residence in another one), thus the net effect is an increase.

A = net of 1.2 million immigrants annually (what if current trends continued - close proximity)

B = net of 0.5 million immigrants annually (what if Simpson/Mazzoli bill was passed - close proximity)

C = net of 0 immigrants annually (i.e., the amount of immigration and emigration is equal, thus the net effect is zero)

U.S.-related variables

The following eight variables can be changed; values given are used to run the various U.S. projections if no changes are made.

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*tm - The Environmental Fund (1982)

1. Total Fertility Rate

   - current value held constant for 50 years (1980-2030) at the 1979 level = 1.856

   source: National Center for Health Statistics (N.C.H.S.)

2. Age-Specific Fertility Rates (or Proportion of All Births to Women in Age Group)

   - current values held constant for 50 years (1980-2030) at the 1979 level

   source: N.C.H.S.

3. Life Expectancy for Males

   - current values increased over the 50 years (1980-2030) = 69.5 in 1980 (based on 1978 data), 72.0 in 2030

   sources: N.C.H.S. and Social Security Administration (S.S.A.)

4. Life Expectancy for Females

   - current values increased over the 50 years (1980-2030) = 77.2 in 1980 (based on 1978 data), 81.0 in 2030

   sources: N.C.H.S. and S.S.A.

5. Annual Number of Legal Immigrants

   - current values held constant for 50 years (1980-2030) = 700,000 for Projection A; 425,000 for Projection B; 0 for Projection C

   sources: Immigration & Naturalization Service (I.N.S.) and QUIC DATA

6. Annual Number of Illegal Immigrants

   - current values held constant for 50 years (1980-2030) = 500,000 for Projection A; 75,000 for Projection B; 0 for Projection C

7. Age Distribution for Legal Immigrants

   - current values held constant for 50 years (1980-2030) at the 1979 level

   source: Population Reference Bureau (P.R.B.)/Leon Bouvier

8. Age Distribution for Illegal Immigrants

   - current values held constant for 50 years (1980-2030) at the 1979 level

   source: Population Reference Bureau/Leon Bouvier

TABLE 2

PROPORTION OF POPULATION GROWTH DUE TO IMMIGRATION, 1980-2030

Year		Projection A*	Projection B**
1980:	RNI***	59%	59%
	Immigration	41	41
1985:	RNI	55	74
	Immigration	45	26
1990:	RNI	52	72
	Immigration	48	28
1995:	RNI	43	64
	Immigration	57	36
2000:	RNI	35	55
	Immigration	65	45
2005:	RNI	30	49
	Immigration	70	51
2010:	RNI	28	46
	Immigration	72	54
2015:	RNI	21	37
	Immigration	79	63
2020:	RNI	8	16
	Immigration	92	84
2025:	RNI	0	0
	Immigration	100	100
2030:	RNI	0	0
	Immigration	100	100

*assumes level of net immigration = 1.2 million immigrants per year

**assumes level of net immigration = 0.5 million immigrants per year

***RNI = rate of natural increase

Source: QUIC DATA projections

QUIC DATA is a trademark of The Environmental Fund.

TABLE 3

TEFdata:

Number 6 September, 1982

THE COSTS AND NUMBERS OF U.S. UNEMPLOYED DUE TO ILLEGAL IMMIGRATION

One of the most vexing issues in the current congressional debate on immigration reform is job displacement by illegal aliens and the resulting costs to the U.S. Treasury in the form of transfer payments (unemployment insurance, food stamps, AFDC payments, and other payments to the U.S. workers displaced.) In other words, to what extent do undocumented aliens take jobs away from U.S. residents in the labor force, and how much does this cost the U.S. taxpayer?

Since nobody knows how many illegal aliens are working here, or what percentage of these workers are displacing U.S. workers (rather than creating new jobs), we can only give a range of estimates. The table below offers three different assumptions as to the number of illegal alien workers, and five assumptions as to the rate at which they displace U.S. workers. One may match any set of these assumptions to see the resulting U.S. unemployment and the corresponding cost for transfer payments.

U.S. UNEMPLOYMENT AND TRANSFER PAYMENTS CAUSED BY ILLEGAL ALIENS

	2 million illegals		4 million illegals		6 million illegals	
Rate:*	Unemployed U.S. Workers	Payments (billions)	Unemployed U.S. Workers	Payments (billions)	Unemployed U.S. Workers	Payments (billions)
10%	200,000	$1.4	400,000	$2.8	600,000	$4.2
30%:	600,000	$4.2	1,200,000	$8.4	1,800,000	$12.6
50%:	1,000,000	$7.0	2,000,000	$14.0	3,000,000	$21.0
65%:	1,300,000	$9.1	2,600,000	$18.2	3,900,000	$27.3
80%:	1,600,000	$11.2	3,200,000	$22.4	4,800,000	$33.6

*Percentage of illegal workers who have taken jobs that would have been filled by U.S. workers.

If, as seems likely, the reality lies somewhere near the mid-range in the table, this means that the loss of control over immigration is costing the U.S. about $14 billion annually and has put 2 million Americans out of work. The number of unemployed is nearly 11 million.

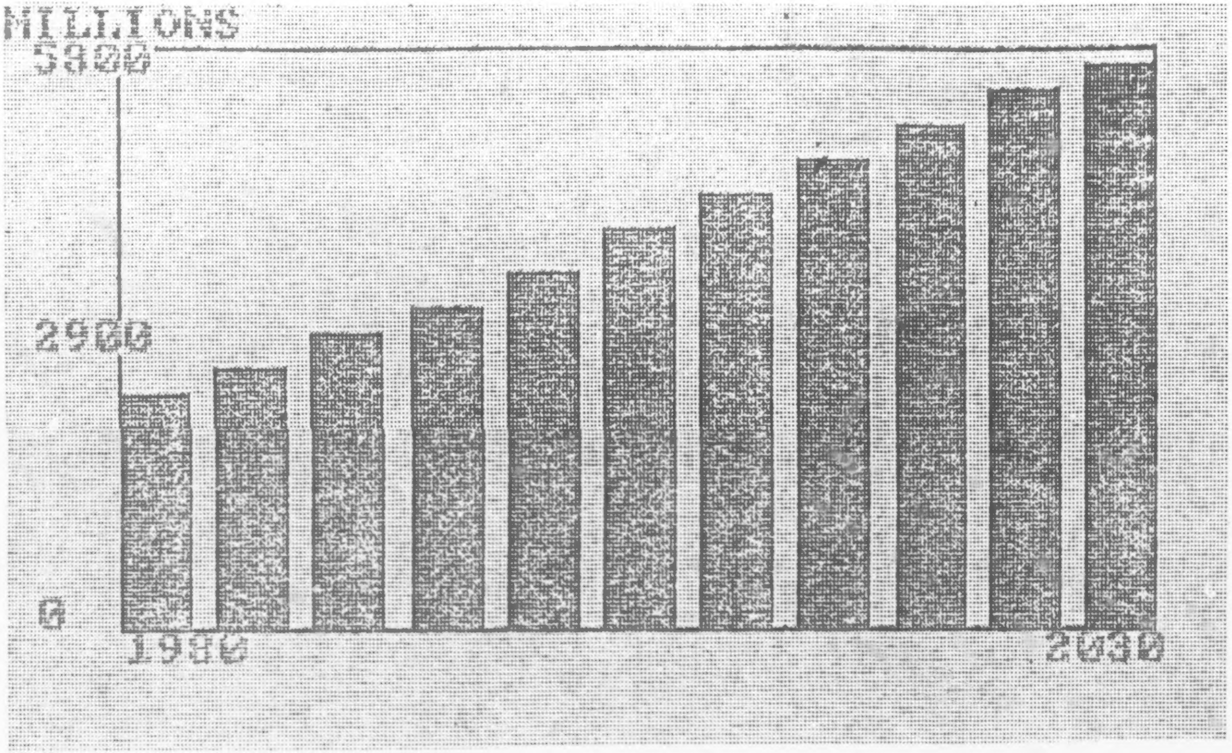
# # # # #

To help educate the public and policymakers, the Environmental Fund has developed a special computer program, "The Impact of Immigration on the U.S. Population" for QUIC DATA, its color graphic computer presentation. For more information contact TEF.*

**tm The Environmental Fund*

TABLE 4

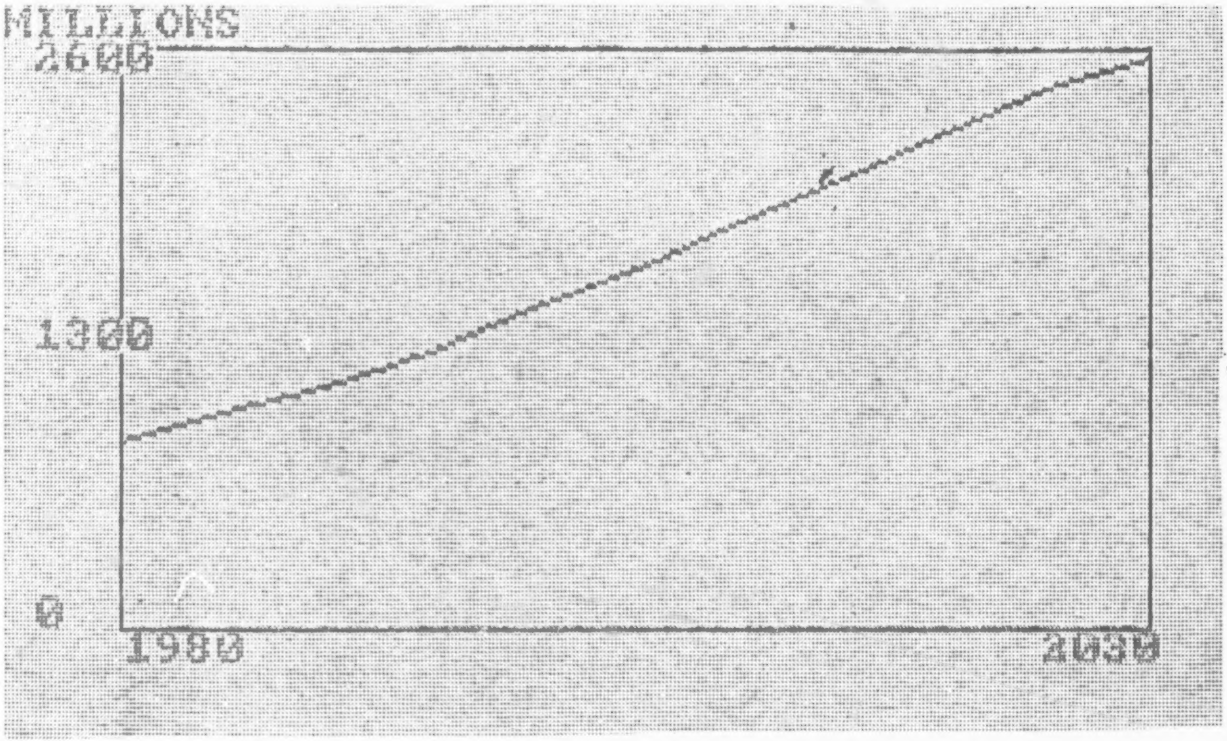
TOTAL POPULATION PROJECTION FOR DEVELOPING COUNTRIES



YEAR	
1980	2310
1985	2600
1990	2910
1995	3240
2000	3590
2005	3940
2010	4300
2015	4660
2020	5010
2025	5350
2030	5600

TABLE 5

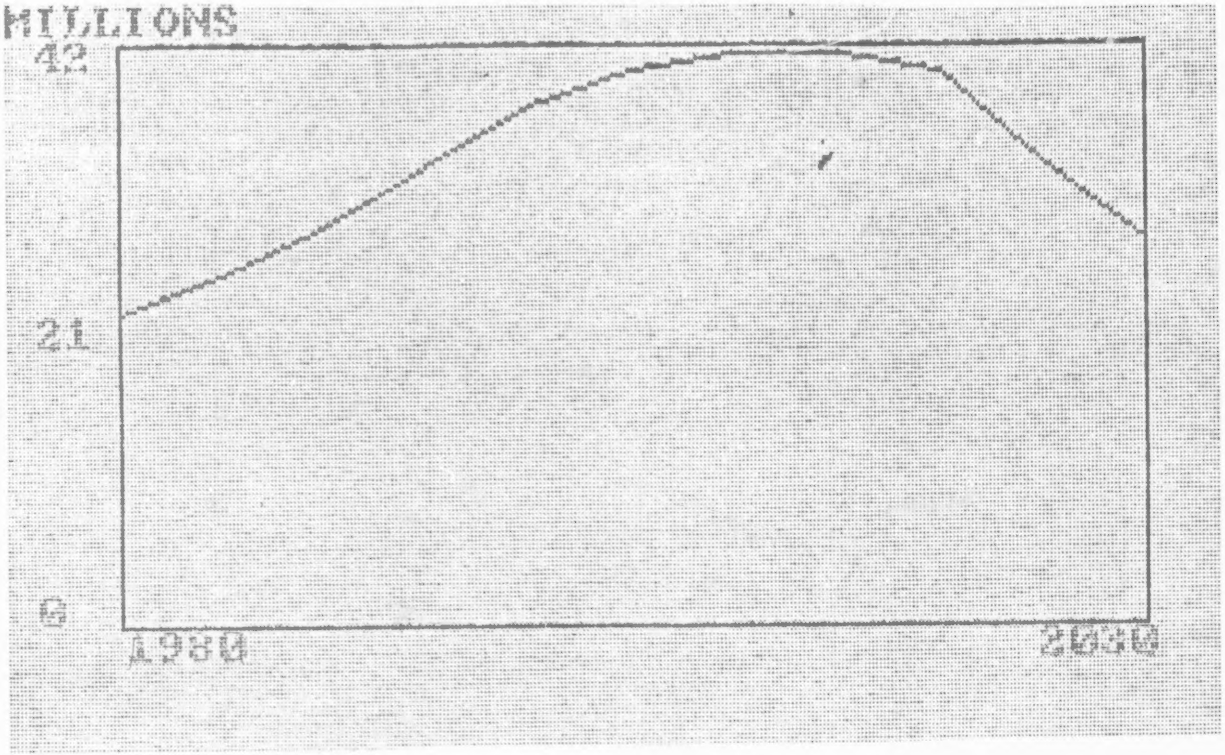
LABOR FORCE PROJECTION FOR DEVELOPING COUNTRIES



YEAR	
1980	843.5
1985	963.33
1990	1095.73
1995	1248.21
2000	1426.34
2005	1618.2
2010	1820.79
2015	2026.31
2020	2228.85
2025	2423.12
2030	2558.86

TABLE 6

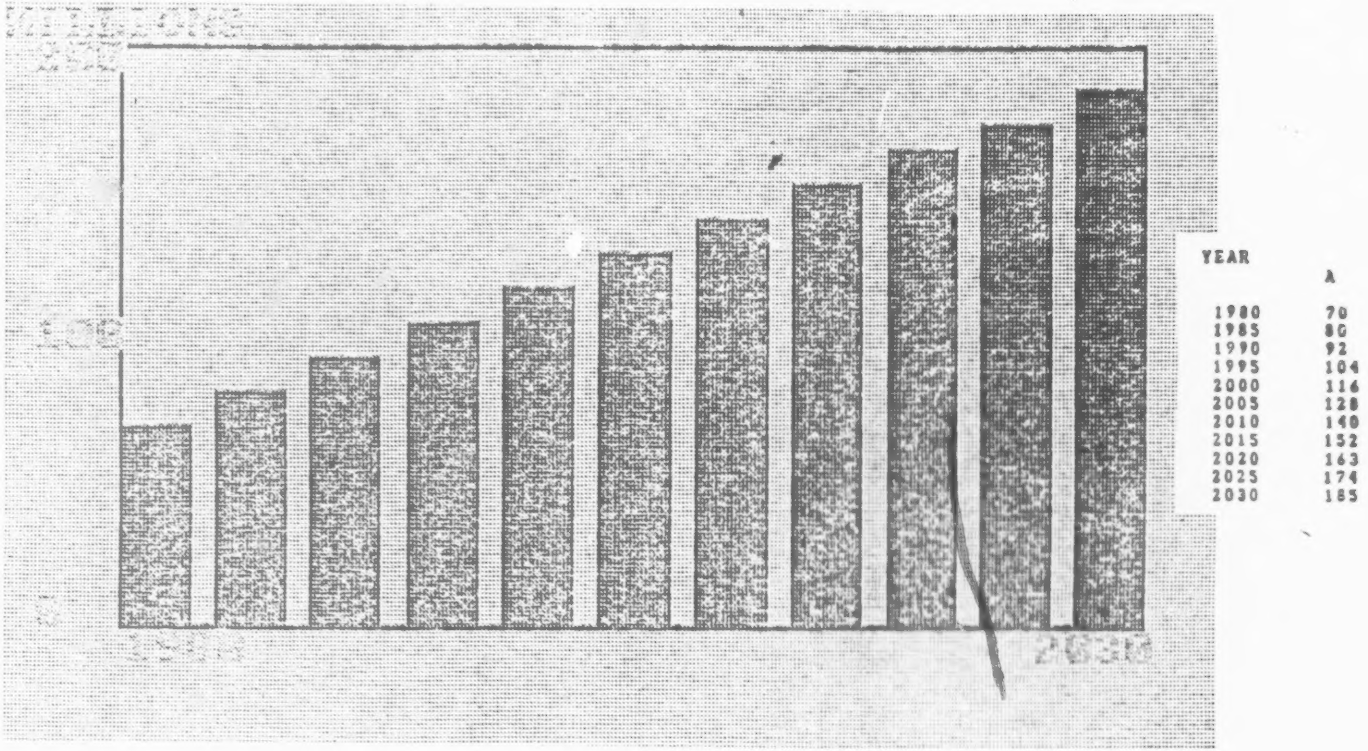
ANNUAL NEW JOB REQUIREMENTS FOR DEVELOPING COUNTRIES



YEAR	
1980	22.72
1985	25.54
1990	28.76
1995	33.35
2000	37.51
2005	40
2010	41.41
2015	41.39
2020	40.22
2025	33.69
2030	28.05

TABLE 7

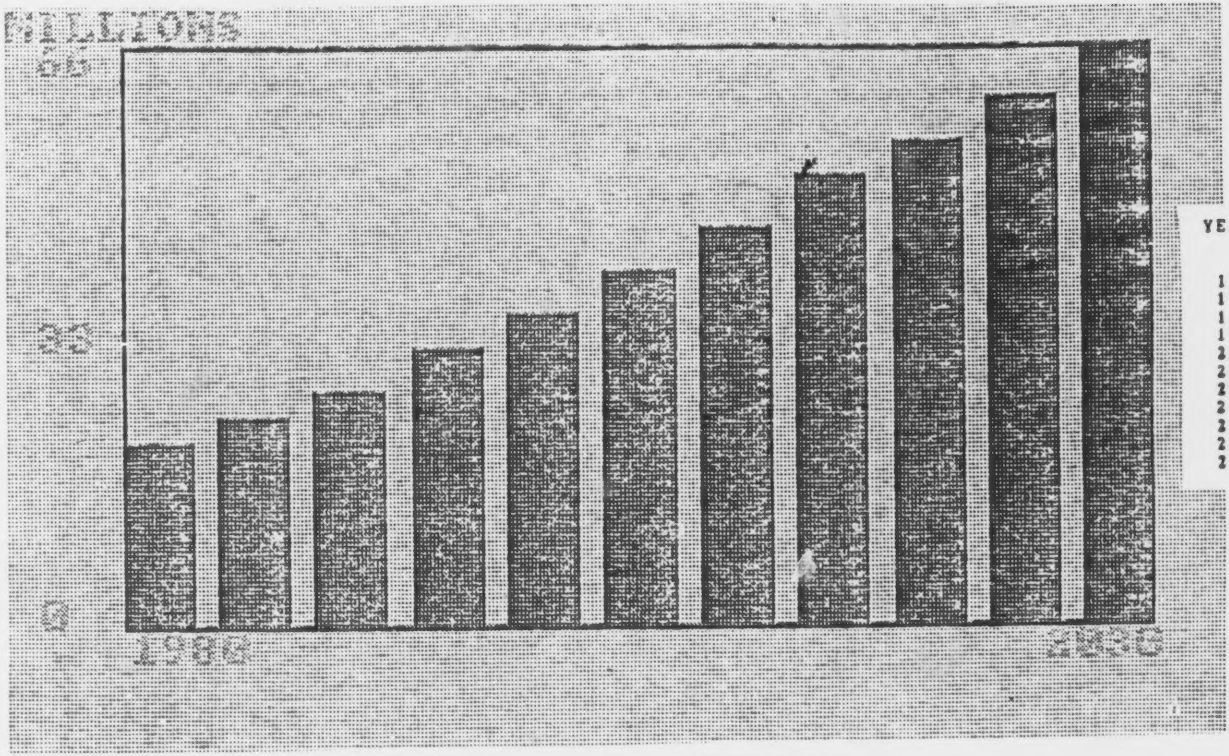
TOTAL POPULATION PROJECTION FOR MEXICO



YEAR	A
1980	70
1985	80
1990	92
1995	104
2000	116
2005	128
2010	140
2015	152
2020	163
2025	174
2030	185

TABLE 8

LABOR FORCE PROJECTION FOR MEXICO



YEAR	
1980	20.28
1985	23.32
1990	27.02
1995	31.25
2000	35.91
2005	40.79
2010	45.72
2015	50.76
2020	55.45
2025	60.48
2030	65.56

TABLE 9

Annual New Job Requirements for Mexico (in thousands)

<u>Notes</u>: Annual new job requirements (annual average for a five-year period) are based on the number of people entering the labor force (i.e., those aged 15 years), the labor force participation rate of both males and females, as well as the number of jobs that become available as people leave the labor force either because of death or retirement.

<u>Source</u>: United Nations' 1980 medium variant population projections as cited in United Nations, *World Population Prospects as Assessed in 1980*, (ST/ESA/SER.A/78), 1981, Table A-2.

```
ANNUAL NEW JOB REQ. FOR MEXICO
THOUSANDS

YEAR


 1980      651.73
 1985      678.59
 1990      803.48
 1995      901.74
 2000      969.04
 2005      997.18
 2010      1011.32
 2015      988.87
 2020      979.6
 2025      1021.08
 2030      1066.54
```

Senator RUDMAN. Thank you very much, Dr. Cutler. Those are sobering statistics. Most of us here are aware of the problem. I do agree with both of you—it is money well spent in this area.

Mr. Martin, I have been briefed by the staff on your particular testimony, and I have read your testimony. I want to assure you that your testimony will be circulated to various members of this panel to insure that the people understand the nature of this problem. It is interesting. I would ask you to summarize your testimony for us, if you could, but I can assure you we are going to look at it.

Mr. MARTIN. I will do that. I appreciate the opportunity to speak here today. I am speaking only for myself and not as a representative of any organization.

PRIVATE CITIZEN

STATEMENT OF JOHN MARTIN

My name is John Martin. I was an employee of the EEOC from 1974 to 1983. I am here to provide testimony on the appropriation request of the Equal Employment Opportunity Commission. During the time I worked there, I was subjected to unlawful employment practices. In fact, Dallas Federal District Court Judge Higginbotham has found the Commission violated the 1964 Civil Rights Act and discriminated against a class of white male employees. Such discrimination is contrary to public policy and is a misuse of the Commission's limited financial resources. In spite of court findings that the Commission has engaged in discriminatory employment practices throughout the agency, the Commission has taken the position that it will abide by the law only when ordered by a Federal court of law. This is contrary to the public policy of the United States as well as the Commission's own policy.

In a statement before the House Appropriations subcommittee on March 1, 1983, the Chairman of the Commission said:

> A protracted administrative process has a negative effect on the employer community, the complainant, the longer the charge processing is delayed, the greater the cost to the business community in terms of back pay liability to the judicial system.

As Judge Higginbothem noted in his decision:

> Despite the irony of the civil rights law being turned against one of its chief enforcers, the Commission enjoys no immunity. Indeed, its role imposes a role of exemplary conduct.

The Equal Employment Opportunity Commission's conduct has not been exemplary. It has been, as Judge Higginbothem states:

> A case of the cow stepping into the bucket.

If the Commission is under the mandate to insure maximum utilization of limited financial resources, I respectfully submit that its continuing conduct does not reflect the hearings to that mandate. I, therefore, respectfully request the subcommittee inquire to the commission as to the propriety of this conduct.

I, again, appreciate the opportunity to present my statement.

[The prepared statement of Mr. Martin follows:]

PREPARED STATEMENT OF JOHN MARTIN

MR. CHAIRMAN AND MEMBERS OF THE SUB-COMMITTEE:

I APPRECIATE THIS OPPORTUNITY TO SPEAK HERE TODAY. I AM SPEAKING ONLY FOR MYSELF AND NOT AS A REPRESENTATIVE OF ANY ORGANIZATION.

MY NAME IS JOHN MARTIN. I WAS AN EMPLOYEE OF THE U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION FROM 1974 to 1983. DURING THAT TIME I RECEIVED AN OUTSTANDING PERFORMANCE AWARD FOR MY WORK AT THE COMMISSION.

DURING THE TIME I WORKED IN THE BOSTON OFFICE OF THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION, I WAS SUBJECTED TO UNLAWFUL EMPLOYMENT PRACTICES ENGAGED IN BY THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.

IN SUPPORT OF THAT STATEMENT, I OFFER THE DECISION OF DALLAS FEDERAL DISTRICT COURT JUDGE HIGGINBOTHAM (NO. CA-3-76-1183-G SEPTEMBER 9, 1982, 29 FEP 1561) WHO FOUND THAT THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION VIOLATED SECTION 717 OF TITLE VII OF THE CIVIL RIGHTS ACT OF 1964 AS AMENDED AND DISCRIMINATED AGAINST THE CLASS OF WHITE MALE EMPLOYEES OF THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION THROUGHOUT THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

A DECLARATORY AND INJUNCTIVE RELIEF ORDER WAS ISSUED ENJOINING THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION FROM DISCRIMINATING AGAINST WHITE MALES.

IN FURTHER SUPPORT OF MY STATEMENT I OFFER THE DECISION OF BOSTON FEDERAL DISTRICT COURT JUDGE SKINNER (78-3039-S) WHO FOUND THAT THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION VIOLATED 42 USC PARAGRAPH 2000 e (16) BY HARASSING A CO-WORKER IN THE BOSTON OFFICE AND RETAILIATING AGAINST HER FOR HAVING FILED CHARGES OF DISCRIMINATION AGAINST THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION.

JUDGE SKINNER FOUND OFFICE VIOLATIONS BY CO-WORKERS THAT HAD GONE UNCORRECTED FOR LONG PERIODS OF TIME. FOR EXAMPLE, ONE EMPLOYEE HAD BEEN SLEEPING AT HIS DESK IN THE BOSTON OFFICE TWO OR THREE TIMES A WEEK FOR FOUR YEARS AND HAD NOT BEEN DISCIPLINED.

THE COURT FOUND THAT FILING IN THE OFFICE WAS IN SUCH DISARRAY THAT MANY FILES WERE LOST AND 12,000 OBSOLETE OR CLOSED FILES WERE MIXED IN WITH CURRENT FILES.

TWO SUPERVISORS CONSISTENTLY RETURNED FROM LUNCH SHOWING SIGNS OF CONSUMPTION OF ALCOHOL TWO OR THREE TIMES A WEEK FOR APPROXIMATELY FOUR TO SIX YEARS. THE COURT FOUND THAT THE DIRECTOR OF THE BOSTON OFFICE ENCOURAGED HOSTILITY TOWARDS THE PLAINTIFF IN THIS CASE. THE PLAINTIFF'S PERSONAL PROPERTY WAS DESTROYED AND HER LIFE THREATENED.

ON DECEMBER 8, 1977, I FILED A CHARGE OF DISCRIMINATION WITH THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION BECAUSE OF THE DISCRIMINATION PRACTICED AGAINST ME.

AFTER WAITING FIVE YEARS FOR A FINAL DECISION, THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION DISMISSED MY COMPLAINT AS HAVING NO MERIT. I THEN FILED A COMPLAINT IN FEDERAL COURT.

AFTER I FILED CHARGES OF DISCRIMINATION WITH THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION, I WAS PHYSICALLY ATTACKED AND CHOKED INTO UNCONSCIOUSNESS WHILE I WAS PERFORMING MY OFFICIAL JOB DUTIES AT MY DESK.

ON MAY 26, 1983, THE FEDERAL OFFICE OF WORKERS' COMPENSATION PROGRAM DETERMINED THAT I HAD SUSTAINED A DISABILING JOB RELATED TRAUMATIC INJURY. ON JULY 1, 1983 WHILE I WAS COMPLETELY DISABLED, THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION DELIVERED A NOTICE OF PROPOSAL TO REMOVE ME FROM THE FEDERAL SERVICE.

IN SPITE OF COURT FINDINGS THAT THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION HAS ENGAGED IN DISCRIMINATORY EMPLOYMENT PRACTICES THROUGHOUT THE AGENCY AS WELL AS IN THE BOSTON OFFICE WHERE I WAS EMPLOYED, THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION HAS TAKEN THE POSITION IN THE TWO CASES CITED AND IN MY CASE, THAT IT WILL ONLY ABIDE BY THE LAW WHEN ORDERED BY A COURT. THIS APPEARS CONTRARY TO THE PUBLIC POLICY OF THE UNITED STATES.

IN A STATEMENT OF HEARING CONDUCTED BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON MARCH 1, 1983, THE CHAIRMAN OF THE EQUAL EMPLOYMENT

OPPORTUNITY COMMISSION STATED, "A PROTRACTED ADMINISTRATIVE PROCESS HAS A NEGATIVE EFFECT ON THE EMPLOYER COMMUNITY, THE CHARGING PARTY...THE LONGER THE CHARGE PROCESSING IS DELAYED, THE GREATER THE COST TO THE BUSINESS COMMUNITY IN TERMS OF BACK PAY LIABILITY, TO THE JUDICIAL SYSTEM."

AS JUDGE HIGGINBOTHEM NOTED IN HIS DECISION, "DESPITE THE IRONY OF TITLE VII BEING TURNED AGAINST ONE OF ITS CHIEF ENFORCERS, THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION ENJOYS NO IMMUNITY. INDEED ITS ROLE IMPOSES A REQUIREMENT OF EXEMPLARY CONDUCT." THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION'S CONDUCT HAS NOT BEEN EXEMPLARY. IT HAS BEEN, AS JUDGE HIGGINBOTHEM STATES, "A CASE OF THE COW STEPPING INTO THE BUCKET."

IF THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION IS UNDER THE MANDATE TO INSURE MAXIMUM UTILIZATION OF LIMITED FINANCIAL RESOURCES, I RESPECTFULLY SUBMIT THAT ITS CONTINUING CONDUCT DOES NOT REFLECT ADHERANCE TO THAT MANDATE.

I THEREFORE RESPECTFULLY REQUEST THAT THIS SUBCOMMITTEE INQUIRE TO THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION AS TO THE PROPRIETY OF THIS CONDUCT.

JOHN J. MARTIN

3906 Larchwood Road
Falls Church, VA 22041

Senator Paul Laxalt
U.S. Senate
Washington, D.C. 20510

Dear Senator Laxalt,

By letter of March 30, 1983, Mr. Richard Spees, Clerk of the Commerce, Justice, State, and the Judiciary Subcommittee provided me with a copy of the transcript of the subcommittee's hearing held on March 7, 1984.

Mr. Spees indicated that the hearing record is open until May 1, 1984 and that additional written comments may be submitted. This letter is for the purpose of offering additional comments. These comments are as follows:

- On Page 36 Mr. Clarence Thomas, Chairman, stated with reference to the Equal Employment Opportunity Commission employee who assaulted me "A white male took the action."

o The employee who took the action is a black male.

- On Page 36, Mr. Thomas stated "Mr. Martin's complaint was filed, as I understand, based on incidents which occurred in 1976 sometime that certainly had nothing to do with me."

o My complaint is based on incidents that commenced in 1976 after I objected to the blatant discriminatory practices and mismanagement in the EEOC. And these incidents continued until July 1, 1983 when the EEOC attempted to remove me from the federal service.

- On Page 37 Mr. Thomas States, "I think that the action has been dealt with fairly."

o U.S. District Court Judge Skinner in Foley v. EEOC (78-3039-S found that an employee slept at his desk 2 or 3 times a week for four years. This same employee attempted to take my life while I was performing my official job duties at my desk. Subsequently he was suspended for 45 days because according to EEOC he had a "clean record."

- On Page 37 Mr. Thomas states "I read Mr. Martin's statement and I am not a student of logic anymore but I think it has a lot of problems internally. Some of the nexus that he attempts to draw between certain events and things that have happened to him don't apply."

o In his decision in the case Foley v EEOC (No. 78-3039-S) U.S. District Court Judge Skinner found that Mr. Everett O. Ware, Office Director, encouraged hostility in Foley's co-workers. Subsequent to the filing of her complaint, Foley received obscene and threatening phone calls.

Judge Skinner found each time Foley was called to Ware's office she brought her union representative with her.

> I am the union representative referred to by Judge Skinner. Mr. Ware encouraged hostility in my co-workers also. Subsequent to the filing of my complaints, my personal property was destroyed by co-workers and an attempt was made on my life. Because I objected to blatant discriminatory practices and mismanagement.

Mr. Thomas himself admits to these facts: "I went to the Boston area office in 1982 after I came on board the agency and I was absolutely appalled at the offices in some areas, and not only just Boston. (P. 36) "At my confirmation hearing I indicated to Senator Eagleton that I was aware there were problems with the agency. I did not know the extent of the problems nor was I aware what I was actually getting into." (P. 39) "With respect to things like lost files and such, I recognize those problems. I saw those with my own eyes. I have pictures, photographs of them myself and I was appalled since many many complaints have been handed out as to the management of the agency in the past." (P.40)

In light of Chairman Thomas' admissions as to the extent of the problems extant in the EEOC I respectfully request that the committee continue to scrutinize the conduct of the Commission in its dealings with present and, in my case, its former employees.

Thank you for your attention to this matter.

Sincerely,

John J. Martin

CIVIL RIGHTS VIOLATION

Senator RUDMAN. Thank you very much, Mr. Martin. I want to ask you one brief question for the record. Your full testimony indicates that at one point in your employment, you were physically attacked while at your job and were subsequently disabled by that attack. Was the motive of that attack by fellow employees your pursuit of what you deem to be your civil rights?

Mr. MARTIN. Yes, sir.

Senator RUDMAN. Where did that take place? What city?

Mr. MARTIN. In the Boston office of the Commission.

Senator RUDMAN. Has anybody been prosecuted for that?

Mr. MARTIN. No, sir.

Senator RUDMAN. Was anybody arrested for it?

Mr. MARTIN. No, sir.

Senator RUDMAN. When did it take place?

Mr. MARTIN. January 1983.

Senator RUDMAN. I intend to look into that one personally myself. It is outrageous if the facts are as outlined.

PROJECT ADVISORY GROUP

STATEMENT OF PATRICIA McMAHON

Ms. McMAHON. Mr. Chairman, my name is Patricia McMahon. I am appearing on behalf of the more than 300 local programs providing civil legal representation to a client population of 40 million poor persons, the Project Advisory Group, and we thank you for the opportunity to testify before this committee. In particular, Senator Rudman, we thank you in particular for your continued strong support of the Legal Services Corporation.

FUNDING REQUEST FOR LSC

The Project Advisory Group requests a congressional appropriation for the Legal Services Corporation for fiscal year 1984 of $347 million. This amount is necessary to continue the efforts to attain the minimum access goal of two attorneys per 10,000 poor persons. We believe this is a modest goal. Contrast the availability of the more than 20 attorneys per 10,000 persons in the general population and 28 per 10,000 nonpoor.

This year marks the 10th anniversary of the Legal Services Corporation Act and the 20th anniversary of the commitment of Congress to Federal funding for legal services for the poor. It is particularly appropriate at this time for Congress to renew its commitment to a strong, independent legal services program by approving increased funds and specifying that these funds be allocated in a manner consistent with the goal of minimum access.

NATIONAL LEGAL SERVICES PROGRAM

The National Legal Services program has survived and grown stronger because Congress has had the will to persevere despite the political attacks of those whose interests and practices are threatened by the enforcement of the legal rights of the poor. But you have created a program of which you can be proud. The legal services program is professional, of high quality and, most important of all, effective.

Yet, this essential program continues to be under attack. For the fourth straight year, President Reagan has proposed zero funding and the abolition of the Legal Services Corporation. Unable to obtain his goal in Congress, the President has tried to accomplish the elimination of legal services by his appointees. Not one of the current LSC Board members has been confirmed by the Senate as required by the Legal Services Corporation Act. Instead, the Legal Services Corporation has been run by a series of recess-appointees who have no experience in legal services.

You may have read this morning in the Washington Post, Mr. Mason, a recent appointee has resigned. So far 16 appointees have served on the Board of the Legal Services Corporation. Currently, there are only five members on that board.

The experience, integrated professional staff at LSC have been replaced by persons who are inexperienced and unknowledgeable.

LSC BUDGET REQUEST

The LSC budget request, although seeking increased funds, recommends programmatic changes which would have a devastating impact on the program. The LSC request totally ignores congressional intent to retain the minimum access concept with a goal of $13 per poor person. It also ignores the congressional approach to equalization. Instead, the Corporation seeks the destructive reallocation of funds among current grantees rather than more gradual and orderly efforts. The Corporation request would increase significantly the amount of funds that would be available to LSC staff for experimental and discretionary sues while limiting the increase for basic field programs, the backbone of the legal services program.

Of equal concern, the Legal Services Corporation has chosen to raise unfounded allegations of misconduct rather than present the record of proven competence and effectiveness of the legal services program.

In the absence of a strong voice of the Legal Services Corporation, we hope that you will listen to the field programs who, along with our client community, are the other partners with Congress in this struggle of many years to make equal justice a reality.

Legal services program staff are the only persons who stand between poor people and disaster for themselves and their families. If there is a safety net of economic programs for poor people, legal services is the safety net of the safety net. But even at an appropriations level of $347 million, many poor people will slip through the holes in the legal safety net and suffer irreparable damages.

Legal services has never been funded at any realistic level of need. Even the current LSC acknowledges this fact in its request for an increased appropriation of approximately 15 percent.

In the past few years, not only has the number of poor persons eligible for our services increased but their problems have become more complex.

Legal services programs cope with more poor people and worse legal problems by spreading our resources even thinner, but the consequences for the program have been drastic.

In 1983, the Washington Council of Lawyers conducted a survey to measure the impact of reduced funding on the quality and scope of legal representation for the poor. The results of the survey are dramatic and we have provided a copy of that report as part of our testimony.

We realize that the appropriations for the Legal Services Corporation are subject to the sacrifices demanded for all of us because of the economy, but if equal justice is to be a principal value in our service, there must be continued commitment to gradual growth for the program. We thank you for the opporutnity and continued support.

[The prepared statement of Ms. McMahon follows:]

PREPARED STATEMENT OF PATRICIA MCMAHON

CHAIRPERSON, FUNDING CRITERIA COMMITTEE

PROJECT ADVISORY GROUP

SUMMARY OF THE WASHINGTON COUNCIL OF LAWYERS REPORT ON THE STATUS OF LEGAL SERVICES FOR THE POOR

November 1983

The Washington Council of Lawyers is a voluntary, nonpartisan bar association that has sought since its incorporation in 1971 to support public service and public interest activities in the legal community. Its members are representative of private law firms, public interest lawyers and government attorneys. The Council is dedicated to improving the administration of justice and the rule of law in our society.

In the spring of 1983, the Council conducted a survey to measure the impact of a 25% reduction in federal funding for the Legal Services Corporation on the quality and scope of legal representation to the poor. A detailed 15-page questionnaire was sent to a scientific sample of staff attorney programs, asking questions designed to show changes in programs' delivery of services between January 1981, when the cuts began, and January 1983. The 61 programs in the sample responded to most or all of the questions. These programs represent 20% of all field programs, employ over one-third of all LSC-funded lawyers, and serve 45% of the total eligible client population in the United States. A description of the survey methodology accompanies the report.

The results of the survey are dramatic. They paint a dismal picture of the decreased ability of Legal Services Corporation grantees to provide full professional representation to eligible clients in 1983.

1. 25.6% Loss of Funding Not Replaced -- 29.7% When Adjusted for Inflation

The average overall loss in funding for all programs surveyed was 25.6%. The average inflation-adjusted loss in funding for the 61 sample programs was 29.7%. In spite of varied efforts to replace lost federal funds through state and local governments and a variety of private sources, 68.1% of the programs failed to replace *any* of the lost federal funds. Contrary to the suggestions of LSC President Bogard and others, the cuts have *not* improved efficiency.

2. 30% Decrease in Staff Attorneys

The funding cuts have seriously reduced the availability of legal representation. Overall, programs lost 30% of their staff attorneys. 37.7% of the programs reported losing their more experienced attorneys. Of the 50 programs that tried to replace attorneys who left, 41 responded that their efforts had been substantially impaired by uncertainties as to future funding, and 52% reported they have been unable to replace their experienced attorneys at all.

The following table reveals the overall loss of staff:

	Attorneys	Paralegals	Admin. and Support Staff
Total Number Employed 1/81	2,270	880	1,897
Total Number Employed 1/83	1,590	632	1,234
Percentage Reduction	30.0%	28.2%	35.0%
Number of Programs With Reduced Staff	61	59	55
Average Number Lost Per Affected Program	11.2	4.2	12.1

3. Increased Legal Needs of Poor People

Cuts in funding have coincided with a national economic recession creating a category of "new poor" and changes in federal programs creating new legal needs for the poor.

- While overall funding for legal services was reduced by 25%, the population eligible for legal services increased by 14.5% in the past two years, from 40.6 million individuals in 1980 to 46.5 million in 1982.

- Unemployment rose to 10.8% in December 1982 (over 12 million), from 7.1% in 1980. In 1982 only 45% of the unemployed received benefits.

- Mortgage loans in foreclosure rose from 51,000 at the end of the first quarter of 1980 to 156,000 for the same period in 1983 -- the highest rate since the 1930s.

- Between 1980 and 1981, non-business bankruptcies increased by a total of 43%, from 314,856 to 452,145, leveling off in 1982 at 449,839.

- Greatly increased eligibility reviews under the two federal disability programs, Supplemental Security Income ("SSI") and Social Security Disability Insurance ("DI"), reached a high of 500,000 in FY 1982, with roughly 45% of the reviews resulting in termination of eligibility. Yet, two-thirds of those who appealed these decisions obtained reinstatement of their benefits.

- New eligibility rules in AFDC, food stamp, housing, medical and nutritional programs and the creation of block grant programs placing the responsibility on the states for establishing eligibility criteria and allocating funds have greatly increased the need of poor people for access to attorneys in order to deal with new requirements and procedures.

4. 85% of Programs Closed Offices

In 1981 LSC achieved its initial funding goal of providing two lawyers for each 10,000 eligible clients, and some sparse representation was ensured to all geographic areas of the country. By 1983, LSC reported a reduction of 25% in the number of offices. The survey confirms that 85% of the programs in the sample had to close full- or part-time offices or merge offices because of reduced funding. More than one-third of the full- and part-time offices operated by the surveyed programs in 1981 had been closed, reduced in size or merged into other offices by 1983.

Overall, in both urban and rural areas, the clients no longer served because of office closings have had significant difficulty obtaining alternative legal assistance. 34% of the programs reported that these clients are "now virtually unable to get free legal aid." For example, in January 1981, 44 of the 52 programs serving rural areas used "circuit riders." By 1983, 81.8%, or 36 of these 44 programs, had abandoned "circuit riders" altogether.

5. 80.3% of Respondents Decreased Their Caseloads

Program caseloads were lower for four out of five programs in 1983, largely as a result of a "lack of sufficient staff to handle the demand." On the other hand, all but two of the programs surveyed saw a greater need for legal assistance among their clients than in 1981, and four-fifths of the respondents identified important areas in which they could not provide legal representation.

As a result of the budget cuts, programs had to reduce services, and some of the reductions were in areas of increasing legal need. The following table illustrates how eligible client populations have been affected by the elimination of legal aid on certain issues.

Matter No Longer Handled	Number of Programs	Population Affected*
Unemployment compensation	6	429,200
Social Security	9	725,700
Mental health	7	825,100
Divorce	27	4,131,800
Adoption	6	769,500
Abused & neglected children	6	1,179,300
Custody, visitation	11	1,673,200
Education	15	2,401,100
Bankruptcies	10	1,086,700
Collection, deficiency & garnishment	7	843,500

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* These figures reflect populations under 100% of the poverty line. Figures are rounded.

6. 86.9% of the Programs Were Forced to Reject from 500-4000 Potential Clients

Staff losses, caseload controls and office closings have resulted in the following number of clients being turned away by programs without receiving *any* legal assistance.

No. of Eligible Clients Turned Away	Sample Programs Number	Sample Programs Percent
500 or fewer	7	13.0
501-1000	10	18.5
1001-2000	7	13.0
2001-4000	15	27.8
4001 or more	12	22.2
No specific no.	3	5.5
Total	54	100.0%

Most of the programs -- 44 of those 51 responding with specific figures -- were forced to reject more than 500 poor people without providing any legal representation, and 27 programs each turned away over 2,000 poor people without providing any advice or legal representation. These figures do not include clients who were listed on an expanded waiting list, or provided some "brief service" or "advice."

A vicious circle has been created, starting with decreased funding which mandated loss of valuable staff which in turn required programs to reduce the number of clients they represent and the types of cases they can handle.

7. Reduction in the Scope and Depth of Representation

In addition to the decrease in staff attorneys, loss of experienced attorneys to handle cases and to train young lawyers, and the crushing caseload, other factors have caused a reduction in the scope and depth of legal representation:

* As a result of the funding cuts, 65% of the programs responding eliminated one or more specialized units. Casualties range from family law units to consumer, health, housing and elderly units. Elimination of specialized units has relegated those cases to lawyers with little or no expertise in the area who must add those cases to an already pressing caseload.

* Programs reported significant curtailment of state and local training programs; 90% of the programs reported that regional and national training also has been reduced or eliminated.

* 25% of the programs reported an increase in the number of complex issues raised by clients during the past two years. However, of the 58 programs that were engaged in broad impact work before 1981, over 70%, or 41 programs, reported that the volume of that work had declined. Similarly, almost 90% of the programs reported that in spite of increased demand, they were doing less complex litigation. Funding cuts, loss of experienced personnel, increased demand for routine services or emergencies and new LSC regulations were the principal reasons enumerated.

8. Private Bar Response Was Inadequate

Programs were asked to what extent clients turned away actually received legal representation through the private bar. Since 1981, legal services programs have been required to allocate 10% of their grants to increasing private bar involvement.

Estimates of the percentages of those poor people actually helped by the private bar are set forth in the following table:

Eligible Clients Denied LSC Services, Helped by Private Bar	Sample Programs	
	Number	Percent
0-5%	2	4.8
6-10%	10	24.4
11-25%	5	12.2
26-50%	9	22.0
51-75%	3	7.3
76% or more	12	29.3
Total	41	100.0%

The responses make it clear that the private bar, while responsive in many cases, has not been able to fill the gap. Where offices were closed due to funding cuts, 76.6% of the programs reported that only "a few" or "none" of the eligible clients referred were actually helped.

Programs evaluated the cost-effectiveness of the private bar involvement program as follows:

Rating	Sample Programs Number	Sample Programs Percent
Extremely cost-effective	4	7.0
Very cost-effective	6	10.5
Moderately cost-effective	20	35.1
Not very cost-effective	20	35.1
Very ineffective	7	12.3
Total	57	100.0%

While seven of the programs surveyed found the private bar involvement to be extremely cost-effective, the response was generally lukewarm, with 70.2% evaluating PBI as "moderately" or "not very cost effective." High administrative costs and time commitment of program directors to implement the private bar involvement were among the negative factors listed.

9. Erosion of Client and Staff Morale

Understandably, programs reported client anger at not receiving legal representation and fear as to whether their cases would be completed or handled professionally. And the turning away of eligible clients has had negative psychological implications for staff morale. In a "sustained bunker atmosphere," legal services lawyers used to working long hours are disillusioned and pessimistic about the future of the legal services program.

10. Scope and Representation of Poor People

The report also discusses Congressional restrictions and recent policy changes within the Legal Services Corporation which have had the effect of depriving the poor of independent, aggressive advocacy and the full scope of representation accorded to those who can afford an attorney. This disparity, based on income, raises fundamental questions about our system of justice and denies equal access to justice for poor people in this country.

I. INTRODUCTION

The Washington Council of Lawyers is a voluntary, nonpartisan bar association that has sought since its incorporation in 1971 to support public service and public interest activities in the legal community. Its members are representative of private law firms, public interest lawyers and government attorneys. The Council is dedicated to improving the administration of justice and the rule of law in our society.

In the spring of 1983 the Council conducted a survey of field programs designed to measure the impact of a 25% reduction in federal funding for the Legal Services Corporation (LSC) on the quantity and scope of legal representation to the poor.[1] Sixty-one programs out of an initial sample of 75 responded to all or most of the questions. In this part of the study, we report on the findings from the survey. In summary:

- Legal services programs have actually suffered a greater loss in funding than the 25% reduction in LSC funds would suggest.
- The reduction in funding has not been made up by the increased involvement of the private bar in the delivery of legal services.
- Programs have lost an average of 30% of their staff attorneys and nearly a third of their non-attorney staff. A significant number of personnel lost were exceptionally experienced, productive and virtually irreplaceable.
- Hundreds of thousands of poor people have been denied access to legal services because of the closing of offices, dismantling of specialized units and reduced access in rural areas.
- Programs have been forced to handle primarily emergency cases and to reject categories of cases where the legal needs of the poor have increased because of the depressed state of the economy and changes in federal statutes.

- The denial of legal services has exacerbated the sense of frustration and despair already felt by many poor people, creating either a sense of total resignation or total disillusionment with the American ideal of equal justice.
- The scope and depth of representation that legal services programs previously provided has diminished because training and support for legal services staff have been drastically reduced at state, regional and national levels.

In order to understand the full implications of the reductions in federal funding for legal services, it is necessary briefly to review the historical development of the legal services program.

A. A Brief History of the Structure of the Legal Services Program

Prior to the establishment of the Office of Legal Services in the Office of Economic Opportunity (OEO) in 1965, there had been *pro bono* legal efforts by some private attorneys, and a number of major cities had charitably funded legal aid societies.[2] The caseloads of legal aid societies were overwhelming and the services provided were routine and had little general or lasting effect. A study completed in the mid-sixties revealed that three out of four applicants for legal aid received nothing more than a single brief consultation.[3] Few appeals were taken and almost no affirmative challenges were made to policies or practices detrimental to the poor. Furthermore, high staff turnover and low salaries made it difficult, if not impossible, for the programs to develop any continuity, sense of purpose or analysis of legal or structural factors which contributed to the perpetuation of poverty.[4]

Those who worked to establish legal services determined that it should not be a repetition of the private "legal aid" or an expanded version of private lawyer programs that had proved ineffective in the past. Instead, the program was to provide aggressive, independent advocacy on behalf of poor people, and to address systemic conditions that bred and maintained poverty.

OEO initially and then LSC insisted on funding staff programs, despite continual pressure to move to judicare arrangements whereby private attorneys -- usually on an open panel basis -- would take over the delivery of services.[5] OEO viewed judicare as an attempt to strip the program of any cohesive philosophy and turn it into an expensive adjunct to private practice, providing only individual legal aid, with no quality control or public accountability. LSC in its first six years recognized that only programs with a significant staff base could provide the specialization needed to handle the unique legal problems of the poor and to develop the sensitivity and commitment required to provide aggressive advocacy on their behalf.

Just as important to the success of legal services has been the system of national and state support and a national training

among legal aid programs in the world, has been in large measure responsible for assuring the high quality of representation that legal services has provided. It has also provided leadership in developing new areas of poverty law, in finding new and more efficient ways of representing clients and in fostering a more integrated, coherent legal services program.

The Legal Services Corporation inherited and strengthened the structure that had evolved from OEO. The Corporation was created through congressional enactment of the Legal Services Corporation Act in 1974. The Corporation was a relatively unique entity, a nonprofit corporation created by Congress and established in the District of Columbia to provide financial support for legal assistance in non-criminal matters to persons financially unable to afford legal assistance.[6] It is governed by an 11-member Board of Directors appointed by the President with the advice and consent of the Senate. The Corporation was set up to insulate the legal services program from partisan political pressure; it is not a part of the Executive Branch.

During the '60s and early '70s, before passage of the LSC Act, the program was subject to political pressures strikingly similar to those that LSC has experienced over the past two years.[7] The partisan politics which had grown up around the program led the Nixon Administration and a bipartisan group of congressmen to work together in an effort to create an independent Legal Services Corporation.[8]

Local legal services programs are independent, nonprofit corporations governed by boards of directors drawn from the local community and including designated percentages of private attorneys and eligible clients.[9] Each local board establishes overall policy and priorities for the program based on its perceptions of local need and resources. LSC guidelines require such priority setting, but LSC did not control resource allocation or the type of clients represented or the cases brought.[10] Local programs hire their own staff of full-time attorneys and paralegals. Initially, there were few judicare or private attorney programs. Over time and after completion in 1980 of a comprehensive study of alternative methods of delivering legal assistance (called the Delivery System Study),[11] more programs began to use private attorneys to expand their service capacity.

Between 1975 and 1981 the basic structure of the program remained essentially unchanged. However, beginning in 1981 dramatic changes were made. Both as a result of the pending 25% funding reduction and as a response to increased efforts to involve the private bar in the delivery of legal services, the Corporation undertook a major effort to require that all programs expend at least 10% of their funds on the involvement of the private bar in the delivery of legal services.[12] In addition, because of budget reductions and implementation of previous studies,[13] the Corporation substantially altered the means by which training and technical and management assistance were provided. Instead of being provided directly by LSC, training was to be provided by five regional training centers and a substantive law training center. Management and technical assistance was funded through a management assistance project.

A major objective during the early years of the Corporation was to expand the availability of legal services to the poor. In 1975, local legal services programs served a primarily urban population in the east, northeast and west. Poor people in the midwest, south, southeast and southwest, and the rural poor in general, had much more limited access to the program.[14] Of the nation's 3,144 counties, over 2,200 were without any federally funded legal services whatsoever. Forty percent of the nation's poor people lived where there was no legal services program at all. Moreover, of the 17 million poor people that resided in areas covered by a program, nearly 6 million had only token access to legal services -- that is, there was less than one "poverty lawyer" available for every 10,000 poor people. Another 10 million poor people were "covered" by a program which had available between one and two lawyers per 10,000 poor persons. Only 1.2 million poor persons lived in an area where there were at least two legal services lawyers per 10,000 poor.[15]

Using these figures, the Corporation developed the "minimum access" plan. The long-term goal was to afford "minimum access" throughout the country, which meant providing at least two lawyers for every 10,000 poor persons -- scant coverage at best. The Corporation calculated that two lawyers would cost $70,000 in 1975-1976 prices.[16] Thus, the Corporation sought to achieve a funding level equivalent to $7 for every poor person in the country.[17]

The minimum access plan to obtain resources to provide basic coverage across the country achieved substantial success. By FY 1981, LSC received an appropriation of $321.3 million, $310 million of which was spent on direct provision of legal services, including national support centers. By 1981 nearly complete geographic coverage was achieved: theoretically, a poor person with a legal problem in any of the nation's counties was within reach of one of the 292 basic field programs. There were 6,337 attorneys and 2,857 paralegals employed by these programs, serving their clients out of 1,475 main and branch offices in all 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, Micronesia and Guam. At 1981 funding levels, legal services attorneys were able to handle 1.5 million cases of an estimated 7 million poor people who needed help each year.[18]

Just as the initial goal of the Legal Services Corporation had been achieved -- providing minimal geographic coverage to the entire nation and territories -- the Corporation suffered a severe budget reduction. Moreover, the enactment of the 25% budget cut in funding for FY 1982 could not have come at a more inopportune time. Legal services programs had to begin scaling down their operations just as the need for legal assistance was surging upward again. The new increase in legal need was precipitated in part by the massive restructuring and contraction of the social service and benefit programs of the Reagan Admininstration. But it was also a product of the recession, especially the decline in employment, which created many hundreds of thousands of newly-eligible clients for legal services programs around the country.

II. THE INCREASED LEGAL NEEDS OF THE POOR

Before examining the effects of the cuts in legal services funding in detail, it is important to put those cuts in the context of the LSC client community's legal needs. The 25% cut in LSC funding occurred just as two series of events substantially increased legal needs among the poor: the post-1980 recession, and major changes in the rules and administration of federal programs designed to help low-income Americans. The effects of each on the demand for legal services are discussed below.

A. The Effects of Deteriorating Economic Conditions

Beginning in 1981, as legal service programs began to feel the impact of reduced funding, our country entered into its worst economic downturn since the Depression of the 1930's. Unemployment grew rapidly to a high of 10.8% (over 12 million) in December 1982, in contrast to the annual rate of 7.1% in 1980.[19] The rate for black youth has been even higher, fluctuating around 50% for the past two years.[20] The number of "discouraged" workers, those no longer even in the labor force because they do not believe they can find work, rose from just over 1 million persons in the second quarter of 1981 to over 1.8 million by the end of 1982.[21] Although the unemployment rate has now drifted below 9.5%, unemployment remains higher than at any time since the end of the Depression.

The situation has been made worse by the changes since 1980 in the unemployment compensation system. According to a recent Brookings Institution study, despite record unemployment, proportionately fewer persons have obtained unemployment benefits than in any recession since World War II. For example, although more than 78% of the unemployed received unemployment compensation in the 1975 recession, the figure for 1982 was reduced to 45%.[22] This is attributable at least in part to changes in the unemployment compensation system, such as alterations in the eligibility trigger and significant cuts in the extended unemployment benefit program.

Such unemployment problems have not only had a marked impact upon the quality of life of low-income households, but they have also had an enormous impact upon the level of need for legal assistance. As the financial condition of already economically disadvantaged persons has deteriorated further, housing, medical, consumer and government assistance problems requiring legal attention have increased in severity and frequency.

Statistics on mortgage delinquencies are one striking illustration of the problem. As the economic situation has deteriorated, mortgage delinquencies have increased sharply, increasing from a rate of 4.93% in the first quarter of 1980, to an unparalleled 5.84% in the first quarter of 1983.[23] Similarly, while the estimated number of loans in foreclosure was 51,000 at the end of the first quarter of 1980, the number during the same period in 1983 had almost tripled to 156,000, the highest level since the Depression.[24] In the Pittsburgh-Allegheny region of Pennsylvania alone, where the unemployment rate was 15.5% at the end of 1982, an estimated 60,000 families were either delinquent or close to delinquency.[25]

These figures, while not reflecting just low-income households, obviously point to an increased need for legal assistance, as households attempt to work out problems with creditors, arrange refinancing or seek to find other means to avoid foreclosure. Moreover, actual foreclosures under the Farmers Home Administration Home Ownership Loan program (a program for moderate and low-income households) increased by 50% in a two-year period, from a level of 2,328 in 1980 to 3,610 in 1982.[26]

Comparative figures on personal bankruptcies tell a similar tale. Between 1980 and 1981, non-business bankruptcies increased 43 percent, from 314,856 to 452,145, leveling off in 1982 at 449,839.[27] While part of the sudden surge in bankruptcies can be attributed to the Bankruptcy Reform Act of 1978 (implemented October 1, 1979), a new study on bankruptcy filings by Rutgers University bankruptcy expert Professor Philip Schuchman shows that most people filing for bankruptcy have incomes near or below the poverty level.[28] Resort to bankruptcy obviously places an additional call on legal resources, resources which clearly cannot be purchased in the marketplace by the majority of these households.

The increased level of economic distress experienced by low-income households can be seen in a host of other examples, from the demands placed on private emergency food programs to the number of households subjected to utility shut-offs. But the most compelling statistic relevant to the demand for legal services lies in what the deteriorating economic situation has done to the absolute number of persons eligible for legal services. Stated most simply, it has led to a vast expansion in the ranks of the poor, shattering a steady downward trend in the portion of U.S. households in poverty and giving us the highest percentage of Americans below the poverty line since the mid-1960's. In absolute terms, in 1982, 46.5 million individuals had incomes at or below 125% poverty (the income eligibility ceiling for legal services). This figure contrasts with 40.6 million in 1980. Compared to the total population, the percentage of Americans below 125% of poverty has grown from 15.8 percent in 1978 to a high of 20.3 percent in 1982.[29] It follows, therefore, that the poor population increased by 14.5%, while the amount of LSC dollars decreased by 25.6% during the same two-year period.

B. Changes in Federal Programs

Far-reaching changes in the funding and design of federal programs occurred simultaneously with the deepening of the recession. Just as the recession itself created increased legal needs for the poor, reductions in federal programs' spending have fallen disproportionately upon the poor. Even more relevant, however, are the structural and procedural changes imposed on the human resources system by the Reagan Administration.

One primary example is provided by changes in the two federal disability programs, Supplemental Security Income ("SSI") and Social Security Disability Insurance ("DI") which provide income assistance to severely disabled persons unable to work. Since 1980, eligibility standards for SSI and DI have been tightened and made more complex. Moreover, beginning in 1981, there was a marked increase in the number of reviews, resulting in almost 500,000 reviews in fiscal year 1982 alone.[30] In roughly 45% of these reviews, the initial decision by state disability determination officials was to terminate benefits. The same philosophy prevailed with respect to applications for DI; in 1982, only 28% of over 1,020,000 DI applications were granted, down from 48% in 1969.[31] Yet the margin for error in these decisions is little short of staggering. Of those adverse DI review decisions appealed, two-thirds were reversed by SSA administrative law judges (ALJs) in 1982. (The 1983 reversal figure is roughly 63%.) Roughly 55% of the appeals from adverse decisions on initial DI applications were reversed by ALJs in 1982.[32]

Due to the complexity of the governing rules and the extent to which the evidence to be evaluated is subject to interpretation and argument, representation by an attorney in the disability application and review process is often critical to protect an applicant's legal rights. For example, of those ALJ decisions in 1982 which reversed adverse DI decisions either following review of the status of current beneficiaries or with respect to initial applications, over 56% of these cases have involved some legal representation.[33]

Legal needs with respect to SSI and DI have been further exacerbated by the Social Security Administration's policy of "nonacquiescence." Under this policy, where an order of an appellate court overturns a Social Security Administration decision to deny or terminate benefits, the agency follows the court's decision only in that individual case, does not alter its overall policy, and continues to deny benefits in other cases on precisely the same grounds despite the contrary court ruling. In each such case, therefore, an individual must go to federal court to obtain benefits even after the U.S. Court of Appeals for that circuit has ruled against the agency's position. State officials and members of Congress have complained about the rule, which Social Security officials admit "discriminates against people who can't afford lawyers."[34] While efforts to change the rule are pending in Congress, the interim result has been to increase drastically legal needs among SSI and DI applicants and recipients; indeed, some 18,000 new SSI and DI cases were filed in federal court in 1982-83 alone.[35]

Similar examples are found in other federal programs. 1981 legislation changed AFDC rules concerning the calculation of earned income for eligibility purposes.[36] New legislation has resulted in similar changes in food stamp rules and the guidelines for federal housing, medical, nutrition and other programs.[37] And, most significantly, in 1981 Congress consolidated a host of federal social programs into four new block grants, and delegated the responsibility for implementing standards and allocating resources to the states.[38] Irrespective of the wisdom of state eligibility rules and delivery systems, there can be no question that the changes have substantially increased the need of poor persons for legal assistance, as they face new standards and procedures for government assistance.

III. THE WASHINGTON COUNCIL OF LAWYERS' SURVEY

In the face of mounting legal problems and legal needs among the poor, what has been the impact of the LSC budget cuts? Since early 1981 the Reagan Administration has sought to eliminate funding for the Legal Services Corporation. Encouraged by a large segment of the public[39] and by the organized bar,[40] Congress rejected the President's proposals and continued federal funding for the Legal Services Corporation. However, in 1981 Congress did effect a 25% budget reduction for the 1982 appropriations reducing funding from $321 million to $241 million. Congress continued that funding level for 1983. The Corporation requested an appropriation of $257 million (an increase of 6.7% for inflation) to fund all legal services programs for FY '84 at the same level at which they were funded for FY '83.[41] In hearings before the House Subcommittee on Courts, Civil Liberties and the Administration of Justice on April 7, 1983, Donald Bogard, President of LSC, testified in part as follows:

> The Corporation and its recipients have largely succeeded in maintaining a nationwide legal service delivery system. This has been possible through consolidation of outlying offices to save overhead; more use of WATS lines to reduce the need for outlying office expenses; utilization of computers; greater emphasis on preventive law and trained lay advocates; and finally the contribution of a substantial amount of time by members of the private bar.

In order to produce hard data to assess the impact of the reductions and the accuracy of President Bogard's statement, the Washington Council of Lawyers undertook to determine, through a survey of legal services programs, the actual impact of the 25% reduced funding on the ability of the programs to provide continuous professional, quality legal representation to eligible clients. In the spring of 1983, the Council selected a stratified random sample of 75 legal services field programs and sent them a detailed questionnaire. Sixty-one programs, approximately one-fifth of all such field programs funded by the Legal Services Corporation,[42] responded to the survey. The responding programs include both small and large programs in every part of the country and every type of community, from small rural town to metropolis. The following table shows the number of basic field programs and the number of sample programs in each region.

	Basic Field Programs	
Region	Total	WCL Sample
I (Boston)	16	5
II (New York)	21	7
III (Philadelphia)	37	8
IV (No. Virginia)	46	5
V (Chicago)	27	7
VI (Atlanta)	62	13
VII (Denver)	34	7
VIII (San Francisco)	27	4
IX (Seattle)	15	5
TOTAL	285	61

Because of the sampling method used for the survey, these 61 programs are more representative of legal services personnel and their client population than the mere number of programs itself would suggest. Comprising roughly 20% of the programs, the sample nevertheless represents at least 34% of all field attorneys.[43] In addition, based on 1980 census figures provided by the Corporation, the sample programs serve 45.2% of the total poor population in the country.[44]

The remainder of this section of the report will analyze the impact of the 1981-83 LSC funding cuts, based on the survey responses from these 61 sample programs. The effects of the cutbacks will be evaluated in three areas: the impact on program budgets; the impact on program staff; and, most important, the impact on the poor.

A. The Impact on Program Budgets

Not surprisingly, all 61 programs surveyed experienced a decrease in LSC funding as a result of the 25% reduction in funding. Furthermore, while 95% of the programs reported that they had received some non-LSC funding, all have less total funding today than in 1981.

For a number of years programs had been receiving funds from sources other than LSC: 35 programs, or 57.4% of the sample, reported receiving federal, state and/or local funds such as CETA, Title III, or Title XX as their main non-LSC source of funds in calendar year 1982; some programs also received alternative funding from (in order of frequency) grants from private foundations (13 programs), Title III of the Older Americans Act (11 programs), private gifts (8 programs), United Way funds (8 programs), attorneys fees awards (6 programs), private bar funding (6 programs) and interest income (5 programs).

However, none of the programs was able to replace the lost 25% funding from either the non-LSC sources referred to above or indeed any other "outside" source. It is striking that 42 of the sample programs (68.9%) were unable to replace any of the funds lost due to the LSC cuts from any outside source. Among the few programs which succeeded in attracting some outside funds, only three replaced more than a fifth of the amount they lost. Of the remaining 16 programs, 15 replaced less than 10% of what they had lost.

Programs were asked to compare their overall mid-1983 funding level with their January 1981 funding level, before inflation, and to report by what percentage and in what direction the funding levels had changed. Without exception, the direction was downward, with over 40% of the sample (26 programs) reporting a decrease of more than 25% in total funding. The distribution is shown in the following table:

Funding Loss (before inflation)	Sample Programs Number	Sample Programs Percentage
20% or less	10	16.4
21-25%	25	41.0
26-30%	16	26.2
31% or more	10	16.4
TOTAL	61	100.0%

The average overall loss in funding was 25.6%. This figure, however, does not account for inflation. We therefore asked the programs to take this into account and to calculate their losses in real dollars. The result (shown in the following table) is that nearly three-fourths of the sample programs actually experienced real losses in excess of 26%. The average inflation-adjusted loss in funding for the 61 sample programs was 29.7%. More than one-third experienced a loss of funds in real dollars in excess of 30%.

Inflation-Adjusted Funding Loss	Sample Programs Number	Sample Programs Percentage
20% or less	4	6.6
21-25%	13	21.3
26-30%	23	37.7
31% or more	21	34.4
TOTAL	61	100.0%

By and large, then, legal services programs have not replaced lost funds. In fact, they have sustained even greater dollar losses than the 25% cut-back Congress intended. One director explained the financial, and program, impact in this way:

> In cumulative effect, the 25% cut in LSC "field grant" funds, the elimination of additional discretionary LSC grants, parallel cuts in indirect federal funding (CETA, etc.) and the added, continuing burden of inflationary pressures on operating expenses and staff salaries and fringe benefits all amounted to about a fifty percent diminution in resources available on an annual basis. Like most such agencies, over 70% of all program expenditures go for staff salaries and related costs. Accordingly, to trim program expenditures it was necessary to lay off personnel, close some offices and eliminate other staff positions as openings occurred. Fewer staff has meant, not surprisingly, a diminshed ability to handle cases. 45 (Emphasis added.)

The inability of private sources of funding or state and local government funding to replace federal monies is not surprising, given increased demands on private sources and other government cutbacks. Indeed, some programs reported that, rather than locate alternative sources of funding to maintain quality delivery of legal services, they spent unproductive amounts of time looking for such funding.

Did the consolidation of offices and other economies result in a more cost-effective program? There was little support for this theory in the individual responses to the questionnaire. Only eight respondents suggested that the impact of the cuts had been somewhat ameliorated by improved efficiency since 1981, and only three indicated specifically that the cuts had any positive impact on efficiency. Even these programs, moreover, made it clear that any such improvements "were not nearly sufficient to make up for a loss in LSC funding," that "we are over our heads with reduced staff at a time when there is maximum demand for services," and that "the cuts have precluded us from giving comprehensive service in areas where we have set priorities." Thus, the survey results indicate that the cuts have had no positive effect in the vast majority of the programs responding. Rather, the cuts were significant, painful and, as will become apparent, harmful.

B. The Impact on Program Staffing

The most immediate effect of the cuts was to reduce the size of the program staff. Layoffs required by loss of funds and the frustration caused by inability to function effectively have resulted in an exodus of many attorneys, paralegals and administrative staff. In many instances those who left were the most experienced and talented staff members -- those who were most needed and most difficult to replace.

1. Attorney Reductions

In January 1982, the 61 sample programs employed a total of 2,270 full-time (or full-time equivalent) attorneys, exclusive of Reginald Heber Smith fellows and law students. Two years later, in January 1983, this number had dropped to 1,590, an overall decline of 30%. Only one program of the 61 in the sample managed to avoid the loss of attorneys, but 55 programs lost a minimum of three attorneys each. While the overall decline was 30%, the loss of attorney staff suffered by some programs was substantially more severe. As the following table shows, the reduction was at or above the 30% average in well over half of the sample programs. Indeed, several programs in the sample reported losses of over 50% of their attorney staff.

Percentage Reduction of Attorney Staff (as of 1/83)	Sample Programs	
	Number	Percent
10% or less	2	3.3
11-20%	9	14.8
21-30%	17	27.9
31-40%	23	37.7
41% or more	10	16.4
Total	61	100.0%

The loss is also reflected in the change in the size of attorney staffs. As the following table shows, in January 1981, nearly half of the sample programs employed more than 25 attorneys per program; by January 1983 that percentage had dropped to 36%. In January 1981, seven of the sample programs (11.5%) had attorney staffs of 76 or more; by January 1983 that number was reduced to two.

	Sample Programs			
	January 1981		January 1983	
Number of Attorneys	Number	Percent	Number	Percent
4 or fewer	2	3.3	2	3.3
5-10	7	11.5	14	23.0
11-15	7	11.5	12	19.7
16-25	15	24.6	11	18.0
26-50	14	23.0	15	24.6
51-76	9	14.8	5	8.2
76 or more	7	11.5	2	3.3
Total	61	100.2%	61	100.3%

2. Loss of Experienced Attorneys

Perhaps more important than the sheer numbers was the extent to which programs lost experienced, highly qualified attorneys due to the cuts. In contrast to what might be expected from a typical reduction in force, where lay-offs are based primarily on seniority, only eight programs of the 61 in the sample reported that the attorneys that left as a result of the cuts were mainly those with less experience. Instead, 23 programs reported that the attorneys they lost were mainly those with more experience. The remaining 30 programs reported losing an even mix of experienced and inexperienced attorneys.

To probe this issue further, we asked about the loss of attorneys whose value made them nearly irreplaceable:

> Did your program lose any attorneys whose productivity and expertise were so outstanding that they are not likely to be replaced in the foreseeable future?

Over 70% of the sample programs responded affirmatively to this question. When asked to report the number of such irreplaceable attorneys, over 60% of the programs reported a loss of more than four; almost a quarter of the programs reported a loss of seven or more. The total number of such virtually irreplaceable attorneys that left the sample programs was 318, an average of seven per program (among those reporting this type of loss). This number represents 14% of all the attorneys employed by the sample programs prior to the 1982 budget cuts and one-fifth of those who left as a result of the cuts. Such experienced attorneys are important, not only in providing direct services to program clients, but also in attracting, training and retaining young attorneys. The loss of so many invaluable attorneys, particularly at a time of strained budgets and increasing client demand, could only be a very severe blow.

3. Impact on Recruiting Attorneys

The ultimate result of the retrenchment process, then, has been that most programs lost a larger number of experienced and highly qualified attorneys than was required by budgetary constraints alone. Paradoxically, over 80% of our sample programs therefore had to utilize scarce resources to recruit new staff attorneys to fill vacant positions, while struggling to adjust to their reduced budgets. But only 17 of the 50 programs which recruited reported that their recruiting efforts had produced satisfactory results; 26 programs (52%) said that they had been able to fill vacancies, but only with attorneys less experienced than those who left the program, while five programs were unable to fill their vacancies with *any* acceptable attorney applicants. Forty-one of the 50 sample programs that had done attorney recruiting reported that their recent recruiting efforts had been "substantially impaired" compared to earlier such efforts, primarily due to the uncertainty of future funding.

4. Impact on Other Staff

Attorneys were not the only staff affected. The following table summarizes the survey findings on staff attrition in all personnel categories directly attributable to the funding reduction:[46]

	Attorneys	Paralegals	Admin. and Support Staff
Total Number Employed 1/81	2,270	880	1,897
Total Number Employed 1/83	1,590	632	1,234
Percentage Reduction	30.0%	28.2%	35.0%
Number of Programs With Reduced Staff	61	59	55
Average Number Lost Per Affected Program	11.2	4.2	12.1

As was true with attorneys, most programs lost as many or more experienced than inexperienced paralegals and other staff. Eighteen (38.3%) of the 47 programs which lost paralegals reported losing primarily those more experienced. Only nine reported losing mainly less experienced paralegals, while the remaining programs reported a loss of equal numbers of experienced and inexperienced paralegals. Over 90% of the 61 sample programs had lost one or more non-attorney, non-paralegal staff members as a result of the cuts. Respondents considered over one-third of these employees to be virtually irreplaceable.

To summarize, the effects of the budget cuts were universal: All types of staff were affected and, with respect to each type of personnel, the reductions in percentage terms exceeded the magnitude of the budget cut itself, due in part to inflation. In each category, moreover, a significant number of personnel lost were exceptionally experienced, productive and virtually irreplaceable. Their departures left a vacuum and magnified the burdens on the personnel left behind.

C. The Impact on the Poor

Our survey demonstrated that the cuts in program budgets and staffing described above have had drastic effects on the impoverished clients which the programs are designed to serve. This impact on the poor has been felt primarily in four ways: limited access to programs; reduced and restricted caseloads; reduction in the scope and depth of representation; and erosion of client and staff morale.

1. Limited Access to Program Offices

As discussed *supra* at pp. 5-7, one of LSC's primary goals is to provide the poor in both urban and rural areas with access to centrally-located neighborhood offices. While coverage was always sparse, some minimal level of geographic access had been achieved by 1981. The LSC cutbacks which began in that year, however, have reversed the achievement of that goal.

a. Offices Closed or Merged.

LSC has reported that 376, or 25.5%, of all field program offices were closed between 1981 and 1983. (LSC 1983 *Fact Book*, p. 12.) The Council study supplements this information by showing that over one-third (213) of the 623 full and part-time offices operated by the surveyed programs in 1981 had been closed, reduced in size or merged into other offices by 1983. The study reveals that over 85% of the programs have had to close full or part-time offices, reduce full-time offices to part-time, reduce the size of part-time offices, or merge offices because of reduced funding. The complete closing of one or more offices -- without regard to reductions in size or consolidations -- occurred in almost 70% of the programs. On the average, four offices were closed, reduced or merged by each of the 53 programs that were so affected. Among them were ten programs that closed, reduced, or merged six or more offices each.

According to unpublished LSC statistics, there has been a dramatic increase in the percentage of very small (less than nine attorneys) field programs and a marked decrease in the number of large programs (40 or more attorneys). In 1981, 34.1% of all field programs had fewer than nine attorneys. By 1983, that number had jumped to 49.2% -- a 44% increase in very small programs. In 1981, 11.5% of all field programs had 40 or more attorneys. By 1983, this number had been drastically reduced --

only 6.2% of all field programs had 40 or more attorneys. This represents nearly a 50% reduction in the proportion of large programs.

b. Clients Turned Away.

Our survey sought to document systematically the impact of these closings and office reductions in legal services offices and the cutback in rural outreach efforts upon the availability of legal assistance for the affected populations. In 1982, 54 respondent programs had to turn away clients without providing any legal aid. The following table shows how many of these programs reported turning away given numbers of applicants. It shows that nearly two-thirds turned away 1,000 or more eligible clients, more than half turned away more than 2,000 clients each, and over a fifth (22.2%) turned away more than 4,000 eligible clients each.

	Sample Programs	
Number of Eligible Clients Turned Away	Number	Percent
500 or fewer	7	13.0
501-1000	10	18.5
1001-2000	7	13.0
2001-4000	15	27.8
4001 or more	12	22.2
No answer	3	5.5
Total	54	100.0%

These figures may mask the true decline in the availability of services to the poor as a result of the budget cuts. For example, of the 49 programs which reduced their caseloads, 20 (40.8) explained that one method they used was expansion of the waiting list. While those clients were not counted as having been turned away, it is inevitable that many of them will have given up by the time their turn for representation comes. In addition, 57.1 percent of these 49 programs increased the use of "brief service" and "advice only" -- advice and consultation -- as a means of conserving staff time. Again, these clients were not counted as having been turned away, but neither were they given the representation they may have needed to handle their legal problem.[47]

c. Decrease in Service for Rural Areas.

In addition to office closings and size reductions, the budget cuts have impaired client access to programs by forcing cuts in outreach efforts begun during the 1970's to assist the poor living in rural areas.

(1) Reduction in Circuit Riding and Its Effects.

For example, in January 1981, of the 52 surveyed programs that indicated that they were at least in part rural, 44 programs (84.6%) used "circuit riders" -- attorneys and legal assistants who traveled to remote towns in the areas covered by the program. By 1983, over four-fifths (36) of these 44 programs had curtailed or stopped altogether the use of circuit riders. One effect, according to our survey results, was that "many" or "all or most" of the eligible clients in the service areas of over half of these programs were subsequently unable to get free legal help. Almost three-quarters of the programs (72.2%) reported that the affected eligible client population had great difficulty getting free legal help. Finally, most of these programs (28) reported that the private bar provided legal assistance for only "a few" of the eligible clients affected by the reduction in circuit riding.

(2) Discontinuation of the "Service Blitz".

During the several years prior to 1982, a number of predominantly rural programs carried out special, intensive outreach efforts, often referred to as the "service blitz." Twenty-four programs initiated these efforts, but by the time of the survey, 17 of them had discontinued this practice as a result of the budget cuts. As one of them explained:

> A legal services office cannot do more than interview and advise only at less than four or five attorneys. At least half of our offices are now at two and three attorney levels. This translates into one or two attorneys

> because of turnover, illness, leaves, or even court appearances. And because of the ever-increasing client demand, even with a "draconian" intake system, an attorney's time (as well as clerical and paralegal time) is spent primarily on client interviewing and advice.

(3) Reduction of Other Special Efforts.

Besides the use of circuit riders and the "service blitz," rural-oriented legal services programs have employed other mechanisms designed to extend legal assistance to the poor in sparsely populated areas. Among the 52 rural (and partly rural) programs in our sample, 26 used toll-free telephone numbers, 24 did intake interviews by phone, and 16 employed lay advocates in outlying areas. As a direct result of the budget cuts, some programs discontinued these services: five eliminated the toll-free telephone numbers, two cut out telephone intake, and seven gave up the use of lay advocates.

d. Inability to Find Alternative Legal Assistance.

Overall, the questionnaire responses indicated that as a result of the cuts, eligible clients have had significant difficulty getting free legal assistance. For example, close to three out of four (72%) of the 53 programs that had closed or reduced offices reported that "many," "most" or "all" of their clients had great difficulty obtaining free legal assistance, and 34% thought that the clients in areas where offices were closed or understaffed are "now virtually unable to get free legal aid." However, only a little more than one-fourth of the programs that closed, reduced or merged offices reported that "all," "most" or "many" clients had been able to get assistance by going to other offices within their program areas. On the other hand, 34% of these programs reported that "none" or only "a few" clients had been able to get assistance from the remaining offices within the program. One program official explained why:

> The closing of many of these [full or part-time] offices has resulted in a reduction in the quality of services we can provide as we

> are unable to have adequate space in each county [in our service area] available for us to interview our clients in a confidential relationship. Nor are we able to have direct contact as often with our clients. This makes the establishment of a good attorney/client relationship more difficult.

Only two of the 53 programs responding indicated that "many" clients had been helped by the private bar. Almost three-quarters of the programs (73.6%) estimated that "a few" or "none" of the affected clients had obtained free legal help from members of the private bar. More detailed analysis of the efforts of the private bar to provide alternative legal assistance is found *infra* pp. 43-49.

2. *Caseload Restrictions and Reductions*

Another way in which programs have responded to the staffing and funding losses has been to restrict services and caseload. While all but two of the programs surveyed saw a *greater* need for legal assistance among their clients currently than in 1981, 80.3% reported smaller caseloads in 1982. Of the 49 programs reporting a smaller caseload, nearly all (95.9%) attributed it to a "lack of sufficient staff to handle the demand." One respondent characterized this trend as follows:

> Where in 1981 the program handled over 18,000 separate cases, by 1982 that number had dropped to about 16,000. In 1983, it will have dropped again to about 12,000. Of these totals, about 15% consistently are matters involving substantial litigation or contested administrative agency work.

The need to restrict caseload has had a severe impact on the programs' ability to provide legal services to the client community. Virtually all (95.9%) the programs with smaller caseloads have imposed explicit caseload controls, excluding certain kinds of cases and certain types of client groups. For many clients, the financial squeeze the field programs feel has resulted in a cruel irony: in some instances, programs are forced to restrict representation in those areas where the crush of legal need is the greatest, simply because the programs are unable to handle the volume generated by that need.

The survey sought in two ways to elicit the areas where caseloads had been restricted. First, we asked programs to identify the kinds of cases that had been phased out as a matter of policy to cope with budget cuts. While each program responded differently, and while local factors inevitably affected the manner in which restrictions were imposed, legal services programs were often forced to reject clients in those areas in which legal needs had increased.

The most severe cutbacks in intake based on priority allocation decisions were in the areas of consumer law and bankruptcy, family law, education, Social Security, unemployment compensation and mental health. The significance of the decisions to terminate legal assistance in these and other areas and to focus on other even more pressing legal needs becomes more apparent when we consider how many people are potentially affected by those decisions. The following table reports the number of programs which no longer provide legal assistance in specific areas of legal need and shows the eligible client population affected by those affirmative "caseload control" decisions.

Matter No Longer Handled	Number of Programs	Population Affected*
Unemployment compensation	6	429,200
Social Security	9	725,700
Mental Health	7	825,100
Divorce	27	4,131,800
Adoption	6	769,500
Abused & neglected children	6	1,179,300
Custody, visitation	11	1,673,200
Education	15	2,401,100
Bankruptcies	10	1,086,700
Collection, deficiency & garnishment	7	843,500

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* These figures reflect populations under 100% of the poverty line. Figures are rounded.

The population figures given in the table represent actual eligible clients in the service areas of the sample programs. Thus, for example, none of the 429,200 eligible clients serviced by the six programs no longer handling unemployment compensation cases would be able to obtain assistance on this issue were it required.[48]

These program priorities only begin to show how restricted the availability of legal services for eligible clients has become. The survey asked the programs to identify important issues on which clients need legal representation but have not received it due to the budget cuts. Over four-fifths of the programs (83.6%) reported such instances.

The answers to this question reveal even more how deeply the clients are affected by the cuts. At a time of national recession when foreclosures, eviction proceedings and public housing issues require legal attention just to assure that clients have a roof over their heads, 17 of the programs surveyed stated they do not provide any significant representation on housing issues. At a time when federal health care programs for the poor have undergone drastic revision, 11 of the programs reported that, as urgent as health matters are, they do not constitute a top priority for their program.

The caseload restrictions have had a severe impact on legal assistance for people confined in institutions. Almost half of the programs which had turned away eligible clients without providing legal assistance reported that they could no longer provide significant service to eligible residents of such institutions as nursing homes, institutions for the retarded and developmentally disabled and juvenile facilities.

These results show that funding cuts are forcing programs to make harsh choices among compelling areas of client need. Should a program cut back on utility termination cases, spouse abuse, employment cases, disability rights or evictions? Or should it eliminate divorce representation or Medicaid cases or AFDC? Each program must cut somewhere, and wherever it is, it is inevitably painful to the program and even more painful to the clients. One respondent thus stated:

> The combined effect, of sharply reduced resources committed for legal services work, and of policies designed to restrict and impede the most productive ways of doing that work, substantially weakens this program's capacity to deliver comprehensive, high quality legal services to the poor.
>
> This program now has but six attorneys and one law office to serve the approximate 30,000 low income residents of the 19 cities and towns. . . . By necessity, we now handle only income maintenance and other public benefit matters and a limited number of housing cases, while clients having meritorious consumer, family law, and other claims receive only brief advice or even no service at all.

Another respondent reported that there was a continued need to handle complicated legal issues affecting the client community, but that the programs were under pressure to increase caseloads, a problem which involved "committing resources already too scarce to allocate." Another program reported:

> Yet another illustration of changing client needs is suggested by the nation-wide campaign by the Farmer's Home Administration to foreclose on delinquent loans to farmers. This area of law is a complex one. A single case is a major commitment for any law firm, yet there are in excess of 3,500 FmHA borrowers in this state alone who now face imminent foreclosure and eviction from their homes and means of livelihood. Neither the private bar nor Legal Services offices have the capacity to handle more than a few of these cases.

Thus, even the most fundamental legal needs of clients frequently cannot be met. One respondent noted that although the legal services staff "have responded to the funding cuts by extending themselves to produce more and better legal services," there had been

> [i]ncreasing frustration about the consequences upon the clients of the increasing inability of staff to provide services in cases involving critical needs -- e.g., service denied or limited to "advice only" in utility shut-off cases, defense of consumer fraud cases, social security disability and

> SSI termination of benefits and original applications, etc.

Indeed, the situation has reached such dire straits that some offices only handle emergencies:

> Our eligible client population grew by 200,000 between 1980 and 1983, while our funding was reduced $1 million in 1982. Even at the previous level of funding, many clients with meritorious cases had to be turned away. Since the funding cuts, the resources have become so inadequate that we are able to handle only the most emergency matters.

While acknowledging that legal services groups were used to "crisis cases," another respondent noted that staff reductions, economic conditions and benefit reductions had combined to make "crisis representation . . . an exclusive, not just a regular diet."

The net effect of these caseload controls has been a staggering decline in the availability of legal representation to the poor. One program summarized aptly the impact of caseload problems and their effects on clients:

> [M]any, many more poor persons need legal services. The problems have changed to a degree and have become more complex. The hardship the recession and government policies have visited upon people are startling, sad and severe. ... [M]any times we have to turn down poor folks with important legal problems. . . . [W]e often times must refuse a case because we don't have the time to provide the complex representation work necessary. While our changes have in a small way helped some persons to empower themselves on balance many more persons are going without the legal assistance they need than prior to the cuts.

3. Reduction in the Scope and Depth of Representation

The foregoing discussion makes clear that the LSC client population has suffered because the cuts in funding have sharply reduced poor people's access to legal aid. Even where cases are accepted by local programs, however, there has been a diminution in the ability of those programs to maintain the depth and the range of assistance previously provided. This result is to be expected given the reduction in the number of staff attorneys, and particularly the loss of experienced attorneys, detailed above. It is also a consequence of the crushing caseload, the unending demand and the pressures of constant emergencies, reflected in comments in the preceding section. But the loss in capability has also resulted from other, more subtle changes in program design and support, including the loss of specialized units and the marked cut-back in training.

a. Elimination of Specialized Units

For years, legal services programs have maintained specialized law units as a means of enhancing the quality and effectiveness of legal representation. In our survey, 54 programs reported that they had such units (consumer, family, housing law, etc.) prior to the funding cuts. Of the 54 responding programs, 65% indicated that they had eliminated one or more specialized units -- a total of 79 specialized units. The casualties have ranged from family law units, which handle a high volume of relatively routine divorce work, to specialized units dealing with consumer, health, housing or elderly problems. Included in the closings were a number of units operating out of institutions where, absent a legal aid attorney, inmates or patients would face special difficulties in getting any legal help.[49]

Of the 35 programs which had to dismantle one or more specialized units, 24 said these closings had adversely affected the quality of representation. The individual responses indicate a wide range of explanations. Many respondents simply pointed to the loss of efficiency or the absence of the specialized knowledge and expertise which came with the special units. For example, one program director explained that:

> The missions of [the three closed units] are now shifted to persons carrying a full-time generalized caseload. Needless to say, we will lose the ability to focus on these special areas, which is the reason we set up the specialized units in the first place.

Another director replied that housing and certain other matters now "go unaddressed, other than on an ad hoc, piecemeal, local office level, where expertise is lacking in those areas."

Other respondents pointed to the reduced ability to take on complex matters, to raise and pursue various defenses or theories, or simply to spot critical issues quickly. Typical of these concerns was the program director who replied:

> We are unable to handle some types of consumer cases, particularly important defenses, and don't spot consumer issues as well. Also, we have not handled the special education and youth problems with as much regularity, focus or understanding.

Others said that they simply had to drop certain types of administrative or legislative work which might prevent problems from occurring in the first place. Finally, others pointed to the loss in supervision and guidance which the specialized units lent to their program efforts. While not surprising, it is at least ironic that the closing down of the special units was considered by most of the responding programs to decrease cost-effectiveness.

b. Reduction in Training.

With the loss of experienced staff and the closing of specialized units it seems self-evident that the need for training would increase substantially. Unfortunately, training has been another victim of the funding cuts, as indicated on the following table.

Effect of Cuts on:	Sample Programs	
Local Training	Number	Percent
Eliminated	1	1.7
Much curtailed	26	44.1
Somewhat curtailed	21	35.6
Unchanged	9	15.3
Increased	2	3.4
Total	59	100.1%

State Training

Eliminated	2	3.4
Much curtailed	26	44.1
Somewhat curtailed	26	44.1
Unchanged	4	6.8
Increased	1	1.7
Total	59	100.1%

Thus, over four-fifths of the responding programs reported that local training had been diminished or eliminated, and over 90% reported that state training had been curtailed or eliminated. A worse fate has greeted regional training -- 93% of the programs responding stated that it had been curtailed or eliminated. Partly because of funding cuts for national support centers, the results were similar with respect to national training; indeed, 50% of respondents reported that they no longer participated in national training. These cuts, too, have had an ironic effect. For instance, one respondent stated that, to promote the efficiency and productivity of new staff it was necessary to assign experienced in-house staff to the training function, thus further diminishing the direct provision of services to clients.[50]

c. Inability to Handle Complex Cases.

While resources have greatly declined, program directors reported overwhelmingly (75%) that the number of complex issues raised by clients has increased during the last two years. As discussed in Section II, *supra*, moreover, both the economic situation and various legislative and administrative changes at the federal level have created new and often difficult demands for legal services. Under these circumstances, local programs could theoretically meet some of these challenges by engaging in legal action with a broader impact, attempting to resolve the legal problems of a group of clients and not just those of individual claimants. But this potential solution -- emphasis on group representation and issues with broad impact on the client population -- has been virtually precluded by the loss of resources and the need to deal with day-to-day emergency problems of the poor, which do not lend themselves to broader solutions. Of the 58 programs that engaged in broad impact work before 1981, over 70% (41 programs) stated that the volume of such work had declined; only 14% reported an increase. Funding cuts have had an even more marked effect on local programs' ability to conduct complex litigation; almost 90% of the responding programs reported that they were now less able to undertake this form of representation.

The explanations articulated for the decrease in impact work are instructive: funding cuts, loss of personnel (especially experienced personnel), lack of time to develop issues, increased demand for routine services, new LSC regulations and fears of how they would be interpreted, and an adverse political climate. As one respondent stated:

> For practitioners, legal services has become a matter of endurance. Our program, rebuilding since 1981, must now retrench again. . . . Technical assistance attorneys are down to three staff positions from a total of five. Travel budgets for technical assistance people are even now being reduced again, as are all communications budgets (travel, mail, telephone). For a rural program, this is Balkanization, the dismantling of an organization into ten separate and autonomous legal aid offices, most of whom are understaffed to begin with.
>
> Quality legal services are almost impossible to deliver under these circumstances, or even the full range of remedies for all but the simplest of individual legal problems.

d. Reduction in Support Services and Legal Research.

The increase in complex issues, the loss of experienced staff and specialized units, cutbacks in training, the diminished ability to undertake broader impact work and complicated litigation -- all argue the need for strong state and national support to local programs. Indeed, 73.3% of the sample programs stated that their support needs had increased while only 5% indicated reduced need. The reasons given for enhanced support corresponded with the increased need for recent changes in client demand for legal services: there is a recurrent emphasis on the changes in the laws affecting the poor since 1980, including such matters as welfare, Social Security disability, SSI, food stamps, housing, energy, Medicare and Medicaid. Unfortunately, state and national support efforts have experienced the same funding cuts as local programs, with similar effects in terms of the number of personnel and the strains placed on scarce resources.

Another obvious effect of the cuts has been on the programs' basic support services. Responses to the questionnaire provide overwhelming evidence that cutbacks in legal services have seriously affected the day-to-day operations of providers in terms of access to basic resources and services. For example, many programs (35 of 55 responding) reported that the budget cuts had forced them to adjust their own budgets to restrict, or eliminate outright, their library purchases. Several respondents reported that they had sold their libraries in order to generate revenue. Others reported that such essential legal resources needed for competent representation as _Law Week_ and the _Federal Reporter_ were eliminated. Several respondents reported that this decreased availability of library resources not only necessitated increased travel time to consult such sources elsewhere, but also limited their ability to provide adequate services.

Finally, the budget cuts and the fear of further cuts have impaired the ability of programs to engage in long-term planning with respect to their future activities. The struggle to find replacement resources and obtain private bar support for legal services undoubtedly contributes to this problem. As one director lamented,

> [a]nnual uncertainties over funding have made it impossible to plan staffing or capital improvements on any long-range basis.

4. _Erosion of Client and Staff Morale_

a. Effect on Client Morale.

When programs were asked to describe effects of the cuts not otherwise explored in the survey, a surprising number talked about the frustration and despair experienced by their clients. Over 30 programs (55%) reported that the cuts had seriously affected their clients, including those who had only recently become eligible for legal services. As one respondent explained:

> Client morale among the "new poor" in particular is extremely bad. Many of these people have never before encountered federal, state or local bureaucracies which are unresponsive to citizen needs. The "new poor" often are dumb-founded at the way they are treated by medical care providers, welfare agencies, and various federal bureaus simply because they are now unable to pay for services or need assistance. . . . Generally, their experiences have inspired deep resentments, cynicism and a sense of total resignation. . . .

Programs report an atmosphere of frustration and despair, as clients realize that badly needed legal services may simply not be available:

> Everybody wants an appointment right away before the offices close. Because of cut backs and funding reductions it is difficult to explain that yes they have a legal problem but other people have a more pressing legal problem.

Legal services clients thus recognize that, at a time when their own needs are critical, legal services are not accessible. Their reaction has been bitterness and resentment. One program reported that "clients . . . accuse us of turning our backs on them." Another director explained:

> Many eligible clients feel we are not responding to their need because their cases do not come within our emergency only intakes. We do not have the staff to advise, educate and represent community groups. The clients that we do represent mainly verbalize two major complaints, "This is the fourth attorney my case has been assigned to", and, "my case has been sitting around much too long already".

Clients were understandably concerned as to whether their cases would be handled by the programs:

> "Many are fearful that we may not be able to complete their case if no funding is provided. Many are fearful that we can no longer provide

> a full range of representation or be as zealous in the representation provided before."

The erosion of client morale has, in the opinion of several respondents, led to the discouragement of clients and a consequent reluctance to bring their problems to the attention of the programs. As one respondent stated: "[c]lients are discouraged from even attempting to get services because they know our priorities and ability to accept cases are severely limited."

A final manifestation of these cutbacks is increasing client disillusionment with our system of justice. One program explained:

> Our clients are not sure whether or not we will be able to complete their case. They're not sure that we are able to respond as completely to their concerns as we have in the past. Clients who only recently became involved with the program as a result of expansion, are now seeing those same offices so recently opened closed to them. There is a real concern that their access to justice is illusory. (Emphasis added.)

b. Effect on Staff Morale.

In response to the same open-ended question, 83% of the respondents volunteered that the current crisis had devastated staff morale. One respondent elaborated:

> Another effect is the realization by staff that we must turn away more potential clients. . . . I am talking about the more intangible, even psychological, effects of turning away people. . . . While we try to give some advice or referral to everyone, this pre-screening does not always remove the anxiety of the client (much less resolving actual legal problems of the client). . . . Subtle and even overt tension is created. Our staff bears the brunt and suffers in an intangible and psychological way.

Many programs reported problems in staff morale, owing to inability to serve clients, unreliability of funding, poor support and other factors related to cutbacks. One respondent characterized the results as a "sustained bunker atmosphere." Another stated bluntly that "[t]he cuts have destroyed morale. Experienced staff is leaving regularly. The turnover in the last 18 months is close to 50%."

The result is a vicious cycle:

> There is a real feeling of [staff being] over-worked and under-paid. There is a feeling, by the staff, of a lack of sympathy by many clients with the plight of the legal services worker. Likewise, many clients feel that the legal services workers are not sympathetic to the plight of the needy. Both group's feelings are the results of the budget cuts causing them to function under pressures which have not existed in the past ten years.

The creation of tension and conflict within the system, setting clients against staff, is thus yet another effect of the budget cuts. As one program analyzed this problem:

> Morale has been a major problem, in that it has affected every level of program activity, from the client community to the Board of Directors. The ever-present doubts about renewal and the massive retrenchment that promises to repeat itself even if Legal Services survives has led to friction and divisiveness between "favored" and "disfavored" client groups, staff bargaining units, attorneys, management, factions of the Board, and between community, staff, and the Board of Directors.

That the legal services community is not responsible for the predicament faced by their programs and clients does not alter this fact. As one respondent bleakly concluded, "[t]he future has been taken away from this program."

IV. HAS THE PRIVATE BAR FILLED THE GAP?

Critics of the Legal Services Corporation, including the Reagan Administration, often argue that the private bar can fill the gap left by the absence of "minimum access" through the legal services programs. For more than two and a half years, even before reductions in funding, this policy has been actively pursued by LSC and, in fact, LSC requires recipients to allocate 10% of their funds on increasing private bar involvement. What has been the result?

To explore this issue we asked first, in connection with office closings and contractions, what proportion of clients in areas where these reductions had taken place had been helped by the private bar. Nearly three-fourths (73%) of the 53 programs that had reduced office staff or closed or merged offices reported that either "few" or "none" of the eligible clients whom they could not serve had "gotten free help from the private bar." At the other extreme, only two of these programs said that "many" or "most or all" of the clients so affected had been helped by private attorneys.

Next, we asked the sample programs how many of the clients they turned away because of the budget cuts and the shortage of staff had been referred to private attorneys. Of the 54 programs that had turned eligible clients away, 43 (over four-fifths) had referred 100 or more eligible clients each to the private bar. This included 18 programs which referred 1,000 or more clients. The programs were then asked to estimate the number of clients referred to the private bar who actually received legal representation. Among the 41 programs that answered this question affirmatively, the average percentage of clients thought to have received private bar assistance was only 44%. The following table shows how the 41 programs were distributed according to their estimates of the percentages of clients helped by the private bar:

Percentage of Eligible Clients Denied LSC Services, Helped by Private Bar	Sample Programs	
	Number	Percent
0-5%	2	4.8
6-10%	10	24.4
11-25%	5	12.2
26-50%	9	22.0
51-75%	3	7.3
76% or more	12	29.3
Total	41	100.0%

We also attempted to gather data concerning the LSC's private bar involvement activities. Programs were asked whether their private bar involvement efforts had been cost-effective, taking into consideration both benefits to clients and the program's contributions of time and money. As the following table indicates, the answers do not appear to support the highly positive conclusions reported in the Corporation's Private Bar Involvement (PBI) Report of March 1982:[51]

Cost Effectiveness Ratings of Private Bar Involvement	Sample Programs Number	Sample Programs Percent
Extremely cost-effective	4	7.0
Very cost-effective	6	10.5
Moderately cost-effective	20	35.1
Not very cost-effective	20	35.1
Very ineffective	7	12.3
Total	57	100.0%

Many evaluations of private bar involvement (PBI) gathered through the survey combined both negative and positive comments. Those programs giving a "very" cost effective answer stressed the positive attitude of bar associations, the advantage of leveraging large numbers of volunteer lawyers and the prior existence of a partnership with the private bar. Those finding the PBI "very ineffective" stressed that it is an extremely time-consuming process and that lawyers were not willing or trained to take on the specialized poverty law cases. The high expense of training private lawyers as compared with the staff attorney model, and the need to provide ongoing training, technical assistance and supervision of volunteers were listed as negative factors. As one director concluded:

> [The] private Bar does not possess experience in the bulk of type of case work we need done, i.e., Pub[lic] Benefits, food stamp law, A[F]DC, Medicare/Medicaid, Fed[eral] H[ousing] Law, rights of tenants. . . . Staff spends a lot of time trying to recruit and refer.

As another director summarized his experience with part of the PBI component of his program: "Recruitment costs are extremely high, participation is minimal to date and administrative costs are excessive for services actually delivered." Thus, beyond the time spent in the initial recruitment of these attorneys, additional staff time is required to supervise them and to refer cases. Moreover, as one respondent noted, the effectiveness of such projects depends upon the devotion of significant time on the part of the program director. The respondent reported that his private bar project had not been as "cost effective" as possible because "program management has not devoted optimum time to the project due to pressing demands of meeting client and program needs with the reduced funding."

Those respondents who were positive about the private bar's role generally emphasized that the benefits of such involvement often exceeded actual services rendered. They believed that the cutbacks in legal services have sensitized some portions of the bar to the problems created by the cutbacks and the necessity of the bar's becoming active in lobbying against further cutbacks. Other respondents stated that the response of the bar had resulted in better relations between legal services groups and the private bar. Nevertheless, these respondents considered any benefit from this improvement far outweighed by the tangible deterioration in services to clients and the decline in organizational abilities, staff and morale.

Twelve programs responding to our survey were unable to involve volunteers and had to settle for a judicare model at reduced fees which ranged from $25-30 an hour with one bar association agreeing to handle 800 cases at the rate of $62.50 a case. The judicare and contract models were judged by most programs as entailing high administrative costs. One director identified the problem as follows:

> 1. The private lawyers won't do them at reduced rates. They view it (those who will participate) as a money-maker.
>
> 2. Our program does all the screening, recordkeeping, review, etc. They get a "package" all ready for handling. We do a great deal of work on them -- they get paid for it.

> 3. Only simple cases are referred; divorces and some bankruptcies. Dearth of expertise among private attys. in poverty law issues.
>
> 4. Most priv. attys. w ll not take cases in "poverty law," as such

The lukewarm response of programs to the 10% private bar involvement requirement is not surprising. At a time when LSC funding has been reduced by almost 30% (when adjusted for inflation) and compensatory non-LSC sources have not been forthcoming, the required allocation of an additional 10% to PBI has only served further to deplete scarce resources. Commenting on the "cost effectiveness" of private bar involvement, one director said:

> At best *pro bono* attorneys are a minority of the bar, at best they agree to take a small percentage of the caseload. This effort is weighed against the complexity of a referral system, follow up and case review procedures which are extremely time consuming when time is precious.

Even in those cities and states with an excellent bar association response, the help received could not ward off inevitable reductions in services to eligible clients through the branch offices or reduction in circuit riding. And, since the legal needs of most clients fall into the categories of benefit entitlements, housing and consumer and other specialized areas of the law, program attorneys must ensure that private lawyers are competent to handle these specialized poverty law matters. Moreover, accepting the Corporation's estimate that the private bar was handling 9.6% of total LSC cases by the end of 1982, this does not even balance the 10% of the basic field grant expended on private bar involvement, much less the 30% loss in LSC funding.[52]

Even the most passionate supporter of increased private bar activity for legal services for the poor -- the American Bar Association -- does not envisage the bar associations' role as more than complementary to the attorney staff program. At hearings before the House Subcommittee on Courts, Civil Liberties and the Administration of Justice on April 14, 1983, Robert D. Raven, then Chairman of the Standing Committee on Legal and Indigent Defendants of the American Bar Association, stated:

> [V]olunteerism is just one component of an overall delivery system for the poor. Despite all good intentions, private attorneys cannot come close to filling the gap caused by a 25% cut in the Legal Services Corporation's budget, let alone the total dismantling of the Corporation.

The public record is replete with exhortations of governors, judges, state attorneys general, former government officials, law school deans, the American Bar Association and state and local bar associations supporting an independent, federally funded Legal Services Corporation. Their calls for adequate federal funding echo the facts reported by programs participating in this survey. Neither state or local government nor private foundations nor private bar support -- either through financial or donated services -- can compensate for the 30% real cuts in funding which the Corporation's grantees have experienced.

V. FUTURE CONCERNS

This report has attempted to document, through a scientifically valid survey of legal staff programs, the effects of the 25% reduction in LSC funding on the ability of legal services programs nationally to provide professional, continuous legal services to the poor. The results are dramatic and, in the Council's views, alarming. Not only has the staff of local programs been reduced by one-third and hundreds of thousands of clients been denied access to legal services, but the scope and depth of legal representation to eligible clients has also diminished. Programs have suffered a reduced ability to undertake broader impact work and complicated litigation, and have experienced significant reductions in training and support at state, regional and national levels. The program's decreased capacity comes at a time when changed economic issues, rising unemployment and basic changes in the law affecting the poor have increased the demand for legal services to meet urgent client needs. The consequences for poor people are thus particularly severe.

The budget reductions cannot, however, be viewed in isolation. Actions taken by Congress in 1981, 1982 and 1983, as well as developments within the Legal Services Corporation raise equally, if not more serious, problems for the future. We detail some of our concerns below.

A. Changes in LSC Board and Staff

Changes in the LSC board and staff have had a significant impact on the direction of the legal services program. Since December 1981, two series of boards of directors, both groups under recess appointments never confirmed by the Senate, undertook to restructure significant segments of the legal services program. Several board members attempted to impose new regulations that would have eliminated class actions against governmental entities and permitted defunding of programs in the absence of either substantive criteria or fair process.[53] Most of these efforts were at least temporarily halted when Congress intervened to assure the continuation of the program as it was currently being operated until there was a confirmed board of directors.[54] Before their names were withdrawn by the President on December 8, 1982, when it became clear that three of them would not receive immediate Senatorial confirmation, however, the board hired Donald P. Bogard as President of the Corporation. Since early 1983 Mr. Bogard, under the direction of a board composed of six recess appointees (with one resigning in July 1983), has undertaken to pursue the restructuring of the Corporation initiated by the earlier unconfirmed board.[55]

On November 2, 1983, the Senate Labor and Human Resources Committee held confirmation hearings on six new Presidential nominees for the LSC board. Most of the nominees had demonstrated little or no dedication to the delivery of legal services to the poor as required by the Act. Four of the nominees were opposed by civil rights and other organizations for having a demonstrated opposition to the interests of minorities and the poor or for having substantial conflicts of interest.[56]

B. The Basic Structure

The basic structure of the program, including its strong staff attorney base, is threatened by new leadership within the LSC which places a higher priority on the involvement of private attorneys than improving the staff attorney system, and which seeks to increase the number of judicare programs.[57]

The shift in emphasis from a staff attorney to a judicare base for most legal services programs would preclude many of the remedies which have been shown to be the most effective in solving the legal problems of the poor. This is so because poverty law involves both particular types of legal problems and remedies most of which apply uniquely to the poor.[58] Specialization is required; the kinds of specialization vary, depending on the types of problems encountered by clients in a particular area. The staff attorney program provides the necessary specialization and the means to seek appropriate remedies in a cost-effective manner. The pure judicare program does not.

The Corporation's Delivery System Study,[59] an extensive examination of alternative methods of delivery, confirms this conclusion. Completed in 1980 at a cost of over $13 million, the study found that use of legal services staff was generally found to be a prerequisite in controlling costs, maintaining quality and producing a significant impact for the entire client community. The study found specifically that three methods of delivering legal services -- judicare and staff together, contracts with law firms as a supplement to a staff program, and pro bono private bar delivery in partnership with a staff program -- were the optimum and most effective methods which could be adopted by local programs to involve the private bar in delivering legal services. As a result of the Delivery System Study and the LSC grant condition that required at least 10% of local programs' funds to be used to involve private attorneys,[60] there has been an increased involvement of private non-staff lawyers in the delivery of legal services.[61] Legal services leaders and the bar generally believe that a mixed system with a substantial staff base will improve delivery but that decisions on how best to use private lawyers are best left to local programs.[62]

Our own study confirms the difficulties of relying upon the private bar for the delivery of legal services to poor people. As pointed out above, the private bar was unable to pick up the percentage of cases equivalent to the funds spent by field programs on private bar involvement, much less the 29% loss in LSC funding for local programs. These facts support maintaining the basic staff attorney structure. This should not preclude an increased use of private non-staff lawyers as a supplement to the staff attorney model; however, it argues against shifting to a program which utilizes private attorneys alone through a judicare arrangement.

C. Support

The elaborate and unique support structure which has evolved in legal services and which has been essential to providing high-quality representation to the poor is being challenged. Current LSC staff favor eliminating or substantially altering the national support centers. Regional training centers have been informed by Corporation staff that their existing grants will not be renewed[63] and a national training program is unlikely to continue in the future.[64] While such components of the support structure as the National Clearinghouse remain, even these are subject to new pressures by a Corporation staff that is opposed to aggressive legal services.[65]

Retention of a system which can provide effective backup advice and support to local programs, as well as training and the development of manuals, model pleadings, etc., is obviously important. Such a system must be preserved if the legal services program is to provide high-quality and effective legal services to the poor and to continue the scope and depth of representation contemplated by the Act. Local programs have never in the past, and given the responses to this survey, cannot be expected in the future, to undertake these vital training and support functions. Attorneys cannnot keep pace with the many changes in statutes, administrative regulations and court cases governing complex public benefits, entitlement, housing and other state and federal programs.

D. Clients Who Can Be Served

Congress and the Corporation have taken steps to deny services to various types of client groups. Many aliens who are legally residing in this country are currently excluded because they do not fit within narrow categories Congress has created under which representation can be provided.[66] In addition, LSC has proposed new regulations on eligibility which, if enacted as originally proposed, would have precluded millions of poor people (including many of the elderly, handicapped and rural poor) who had been previously eligible from receiving legal assistance in the future.[67]

E. Defunding

Congress and the Corporation have taken steps to alter the procedure by which existing programs can be terminated or defunded. While only procedural, these changes give the Corporation greater power to substantially restructure the delivery system and to alter or eliminate most of the support programs. In 1982 and again in 1983 the Corporation proposed changes in regulations governing denial of refunding and termination. In particular, the Corporation sought to preclude hearings when substantial budget reductions occurred and to permit the Corporation to deny classes of grantees refunding without a hearing.

The proposed regulations also attempted to shift the burden of proof on policy issues from the Corporation to the local programs.[68] Recent congressional action, while maintaining some right to a hearing, sought to narrow the procedures even further by requiring that hearings be conducted and decisions made within 90 days, and also completely shifted the burden of proof from the Corporation to local programs with regard to denial of refunding.[69]

F. Scope of Representation

Congress, as well as the Legal Services Corporation staff, have taken steps to limit the type of representation which can be provided to clients of legal services lawyers. The poor may no longer be represented before key legislative bodies whose decisions affect their daily lives except when specifically requested by legislators or under certain other limited circumstances.[70] Advocacy on behalf of clients before administrative federal, state or local agencies has been severely restricted.[71]

There can be no doubt that the poor are entitled to the same scope of professional, legal representation as clients who can afford to pay counsel. Denial of access to legislative decision-making through qualified representation constitutes second-class justice for the poor. Access to justice consists not only of an opportunity to assert one's legal rights in a courtroom but requires also an opportunity to be heard in the making of laws.

Legislative and administrative advocacy frequently avoids expensive and time-consuming litigation over substantive or procedural issues. It is both ethical and cost-effective for attorneys representing their clients, whether low-income or affluent, to avoid litigation whenever possible. Indeed, attorneys are ethically obligated to represent their clients in whatever legal forum is appropriate, including legislative bodies, in order to represent fully the client's interests.[72] Clearly, certain problems are far better resolved not in the courts but in the legislative setting where competing viewpoints can be considered and weighed in the making of broad policy determinations. Moreover, it seems somewhat ironic that all groups concerned about issues directly affecting the poor will have free access to legislative bodies, with only the poor being excluded.

Recent restrictions on administrative representation are equally egregious. A significant percentage of the legal problems faced by poor people invariably arise out of dealings with all levels and types of administrative agencies. These restrictions come at a time when changing laws at the federal and state levels require an increased capacity for administrative representation. See Section II, supra. If they are to represent their clients effectively, legal services attorneys should have full access to administrative agency proceedings both in adjudications before the agency and in formal and informal policymaking efforts, including agency rulemaking. Limiting access to administrative agencies for a group of citizens merely because of their inability to pay lawyers is incompatible with our democratic system of government.

The existing restrictions on the scope of representation accorded those who cannot afford an attorney raise fundamental issues in our system of justice. The legal services program has achieved a real measure of equity by bringing major litigation against government and private entities and engaging in legislative and administrative representation before local, state and federal agencies and legislative bodies. Without the capacity to provide aggressive, independent advocacy, on the full range of issues and in all appropriate forums, legal services programs will not be able to implement the goals set forth in the Legal Services Corporation Act.

FOOTNOTES

1. The Sampling Design and Study Methodology is described in the Appendix.

2. *See* Johnson, Earl J., *Justice and Reform* (hereafter Johnson), (Transaction Books, New Brunswick, NJ, 1978), pp. 5-19.

3. *See* Carlin, J., Howard, J. and Messinger, S., *Civil Justice and the Poor* (New York, Russell Sage, 1965).

4. *See* Menkel-Meadow, Carrie J., *Legal Aid in the United States: Professionalization and Politicization of Legal Services in the 1980s*, at pp. 5-12.

5. *See* Johnson, pp. 117-21.

6. The structure of the program is set forth in 42 U.S.C. § 2996e *et seq*. The Corporation is primarily a funding entity. However, because of one restriction in the 1974 LSC Act which precluded funding research, training, technical assistance and clearinghouse activities by grant or contract, 42 U.S.C. § 2996e(a)(3), the Corporation initially developed an extensive support program. The support components of the program including a training program and a Research Institute continued as part of the Corporation until 1981.

7. *See* Johnson, pp. 192-94.

8. *See* George, Warren E., *Development of the Legal Services Corporation*, 61 Cornell L. Rev. 681 at 692 (1976).

9. *See* 42 U.S.C. § 2996f(c).

10. *See* 45 C.F.R. § 1620 and 2996f(a)(2)(C).

11. The Delivery System Study was mandated by 42 U.S.C. § 2996(g). It began in 1977 and was completed in 1980. Its findings are contained in a report entitled: *The Delivery System Study: A Policy Report to Congress and the President of the United States*, LSC, June 1980 (hereafter Delivery System Study).

12. *See* 46 *Fed. Reg*. 61017 (December 14, 1981).

13. *See Support: Policies and Options for 1979 and Beyond*, LSC, September 14, 1978.

14. *See* Vol. 2, SPECIAL LEGAL PROBLEMS AND PROBLEMS OF ACCESS TO LEGAL SERVICES OF INDIVIDUALS IN SPARSELY POPULATED AREAS, pp. 319-400 (LSC, 1979).

15. *See* L. Goodman and M. Walker, *The Legal Services Program: Resource Distribution and the Low-Income Population* (Bureau of Social Science Research, 1975).

16. *See* Ehrlich, Thomas, *Giving Low-Income Americans Minimum Access to Legal Services*, 64 A.B.A.J. 696 (1978).

17. Today the cost of similar attorney unit is estimated at $62,000, adjusted upward for inflation from the 1975 level; the price tag for the minimum access goal is now at least $124,000 or $12.40 per poor person served. See *Testimony of the Project Advisory Group Before the Senate Appropriations Subcommittee on*

Commerce, Justice, State, the Judiciary and Related Agencies on Funding for the Legal Services Corporation, April 20, 1983 at pp. 11-14.

18. See Legal Services Corporation Annual Report 1980 at p. 7.

19. See Economic Indicators, June 1983. Prepared for the Joint Economic Committee by the Council of Economic Advisers. 98th Cong., 1st Sess. U.S. Government Printing Office, Washington, D.C., 1983.

20. Id.

21. See Employment and Earnings, July 1983, U.S. Department of Labor, Bureau of Labor Statistics.

22. See Burtless, Gary. Why Is Insured Unemployment So Low? Brookings Paper on Economic Activity, I:1983. William C. Brainard and George L. Perry (eds.). Brookings Institution, 1983. A report recently released by the Center on Budget and Policy Priorities indicates that the situation has deteriorated substantially; only about 32% of the currently unemployed received benefits in September of this year. "Unemployed and Unprotected: A Report on the Status of Unemployment Insurance, Center on Budget Policy Priorities, Oct. 7, 1983, Washington, D.C.

23. See National Delinquency Survey, Aug. 1983, Mortgage Bankers Assoc.

24. Telephone conversation with officials of the Mortgage Bankers Association, Oct. 7, 1983.

25. See Report No. 98-32, Emergency Housing Assistance Act of 1983. House of Representatives, 98th Cong., 1st Sess.

26. See Section 502 of the Housing Act of 1949, as amended, 42 U.S.C. 1472. The foreclosure figures are taken from FMHA Report Code 592.

27. See Bankruptcy Statistical Tables Twelve Month Periods Ended June 30, 1970-1979. Annual Report of the Director of the Administrative Office of the United States District Courts 1970-1979 (July 1982).

28. See Shuchman, Philip. The Average Bankrupt: A Description and Analysis, 88 Commercial Law Journal, No. 6, pp. 280-307 (June/July 1983). The study, which was based on cases in eight states and the District of Columbia, found that 33% of those filing for bankruptcy in 1980 had incomes below $8,400; 62% had incomes below the Bureau of Labor Statistics' lower living budget of $14,044; and 84% had incomes below the national median income of $21,020.

29. See Current Population Reports, U.S. Bureau of Census. Series P-60, No. 140, Money Income and Poverty Status of Families and Persons in the U.S.; 1982, U.S. Government Printing Office, 1983 (Table 16).

30. "Staff Data and Materials Related to the Social Security Act Disability Program," Senate Print 98-93, Finance Committee (September 1983), Table 20.

31. Id., Table 24.

32. Id., Table 25.

33. See Participant Involvement in Request for Hearing Cases for Fiscal Year 1982. Feb. 1983. Division of Management Information Services, Office of Hearing and Appeals, Social Security Administration, U.S. Dept. of Health and Human Services.

34. See National Law Journal, "Disablity-Benefit Cases Flood Courts," Oct. 17, 1983 at 1, 26, 30.

35. Id.

36. See A Children's Defense Budget and Analysis of the President's FY 1984 Budget and Children, Children's Defense Fund (1983).

37. Id.

38. Id.

39. A New York Times CBS News Poll released on April 30, 1981, indicated that approximately 80% of all those surveyed said that the legal services program should be maintained at present funding levels or expanded. These responses included those who described themselves as generally approving of the Reagan Administration's budget proposals and those who described themselves as "conservatives."

40. The American Bar Association has supported the Legal Services Corporation since its inception and has reaffirmed that support continually through 1983. Hundreds of local and state bar associations expressed support for the program in 1981. See Support for the Legal Services Corporation, ABA Standing Committee on Legal Aid and Indigent Defendants, August 1981.

41. The Senate passed an appropriations bill, S. 1721, for the Legal Services Corporation on October 21, 1983, which increased its FY 1984 appropriation level to $257 million. See 129 Cong. Rec. 14443 (October 21, 1983). The Continuing Resolution passed in September 1983 provided $275 million and the Conference Report of November 3, 1983, HR 3322, appropriated $275 million. At the time this report went to press the Congress had not taken final action on the Conference Report. See 129 Cong. Rec. H 9127-30, November 3, 1983.

42. The initial sample consisted of 75 randomly selected field programs, of which 61 responded to the survey. We did not sample pro bono projects, migrant farm-workers programs or other specialized units. Further information on the sample design and other aspects of the survey methodology can be found in the Methodological Appendix.

43. This figure is conservatively low. It is calculated on the basis of the number of attorneys in the 285 prograns in 1982. If the total number of attorneys in these programs in 1983 were used as the base, the percentage would be substantially higher.

44. According to U.S. Census data as published by the Legal Services Corporation, in 1980 there were a total of 29,542,681 people living below the poverty level in the United States. Of these, 13,332,200, or 45.2%, lived in areas served by the 61 programs comprising our sample. In fact, this is a very conservative figure, representing persons below 100% of the official poverty line; most legal services programs provide assistance to persons below 125% of the poverty line.

45. This is consistent with the analysis provided by the Project Advisory Group in its testimony:

> Between 1978 when all programs reached the then minimum access level of $7.00 per capita and 1983, funding for legal services programs to service their existing client populations went backwards by 11.4% while . . . the cost of living incresed by 54% during that same period. Thus, relative to where programs were five years ago, we have suffered a net financial loss of 65%. Most of the new funds appropriated for legal services over those years went to expansion of services--at the minimum funding level-- to areas of the country not previously served at all.

46. These results differ somewhat with the testimony of Donald Bogard before the House Subcommittee on Courts, Civil Liberties and the Administration of Justice on April 7, 1983. "Average salaries for all personel continued to rise as did the average years of experience of attorneys, managing attorneys, and program directors. Most states experienced increases during calendar year 1982 in the number of attorneys in the basic field programs. Nationwide, there was an increase in the total non-attorneys and secretarial/clerical employees in the LSC programs from 1982 to 1983."

47. See Characteristics of Field Programs Supported by the Legal Services Corporation, Start of 1983: A Fact Book, pp. 9, 12, 13. According to LSC figures, the total cases closed in FY 1980 were only 5.2% higher than in FY 1982. However, in this same period court decisions decreased by 25.5% and settlements without litigation by 32.6%, whereas "brief service" increased by 13.6%, "advice only" increased by 5.8% and referrals increased by 8.9%.

48. These figures are conservatively low, since, as noted above, they represent persons under 100% of the poverty line, whereas most programs define everyone under 125% of the poverty line as eligible for legal assistance. Further, if the population figures were extrapolated to the entire low-income population, each one would approximately double; as noted, the sample programs, in the aggregate, cover 45.2% of the poor population of the United States.

49. In 1981, LSC began to address the difficulties of access to legal services of the institutionalized poor and sought $9,453,000 in additional funds from Congress in order to serve the institutionalized. See Legal Services Corporation Budget Request for Fiscal Year 1981, at pp. 4 and 40. This request was based on the findings of the Corporation study undertaken pursuant to section 1007(h) of the LSC Act. See Special Difficulties of Access and Special Unmet Legal Problems of the Institutionalized Elderly and Handicapped, A continuation of a Report to Congress Required by Section 1007(h) of the Legal Services Corporation Act of 1974, as amended. LSC, October 1981.

50. LSC adopted a policy in 1978 to increase emphasis on training and to decentralize training, thus placing greater responsibilities on local and state programs and support centers to deliver training. See note 13. The cutbacks have threatened this training policy.

51. See Ken Smith, The Private Attorney Involvement Effort: A Status Report (March, 1983) at 17.

52. Id.

53. See proposed regulations on denial of refunding, termination, governing bodies, legislative and administrative representation and class actions, 47 Fed. Reg. 50658 et seq. (November 8, 1982).

54. See Pub. L. 97-377 and debate on the Continuing Resolution, 128 Cong. Rec. S. 15699 and H. 10445 (December 20, 1982).

55. For example, the Corporation implemented new regulations on legislative and administrative representation that were similar to those proposed by the old board. See 48 Fed. Reg. 11709 (March 21, 1983). It also proposed regulations on denial of refunding, 48 Fed. Reg. 36845 (August 15, 1983), and membership fees and dues, 48 Fed. Reg. 28485 (June 22, 1983), which were contained in proposals before the board in December of 1982.

56. See letter of the Lawyers Committee for Civil Rights Under Law to Chairman Orrin G. Hatch, dated November 4, 1983.

57. The Corporation proposed increasing the amount of program funds that would be used for involvement of the private bar from 10% to 12-1/2%. See Proposed Instruction, September 28, 1983. The proposed changes delete reference to the Corporation's Delivery System Study and to previous Corporation general policy that had stated: "the staff attorney system is an effective and economical structure to deliver publicly funded legal assistance to the poor."

58. See Dooley, John A., Legal Services for the Poor: The Debate Between Staffed Programs and Judicare, 17 Clearinghouse Rev. 193, 198-99 (Summer 1983); Research Notes on Private Bar Service Delivery. Research Note 1: Types of Cases Handled by Programs Using Private Attorneys, OFS Delivery Research Unit, LSC, June 15, 1981.

59. Delivery System Study, supra note 11.

60. See LSC Instruction, 46 Fed. Reg. 61017 (Decmeber 1, 1981).

61. Smith, Ken, The 1982 Private Attorney Involvement Effort: A Status Report, 17 Clearinghouse Rev. 183 (Summer 1983).

62. Harrell, Morris, The Continuing Needs for Private Bar Involvment in the Delivery of Legal Services to the Poor, 17 Clearinghouse Rev. 227 (Summer 1982); Delivery System Study, pp. ii-iii.

63. See letter dated October 26, 1983, from Gregg L. Hartley, Director of the Corporation's Office of Field Services, to each of the centers.

64. See The Report of the Special Committee on Grants and Contracts, dated December 16, 1982, called for providing training directly by the Corporation, p. 25.

65. See letter from Gregg Hartley to Michael Leonard (Director of the National Clearinghouse), dated August 12, 1983.

66. See Pub. L. 97-377; 43 Fed. Reg. 28089.

67. See 48 Fed. Reg. 39086 (August 29, 1983); Comments by the Coalition for Legal Services, dated September 28, 1983.

68. See S. 1721, 129 Cong. Rec. 14443 (October 21, 1983). See also 48 Fed. Reg. 36845 (August 15, 1983).

69. See S. 1721, 129 Cong. Rec. 14443 (October 21, 1983).

70. See Conference Report Regarding FY 1984 Appropriation for Legal Services Corporation and other Legislative Riders, Cong. Rec. 9127-30, November 3, 1983. Generally, restrictions on legislative advocacy are the same as those contained in the Continuing Resolution, supra note 41. Legal services lawyers are permitted to testify before legislatures in response to specific requests by legislators and in very limited circumstances when representing an eligible client. At the time this report went to press, Congress had not taken final action on the Conference Report.

71. Id. The Conference Report generally repeats the restrictions on administrative advocacy obtained in the Continuing Resolution, supra note 41, limiting advocacy "to an eligible client on a particular application, claim or case which directly involves the client's legal rights or responsibilities."

72. See American Bar Association Committee on Ethics and Professional Responsibility, Formal Opinion No. 334 (August 10, 1974), at p. 8. See also DR 5-107(b) and DR 7-101.

Appendix

Description of the Survey Methodology

Sampling Design

The survey was based on a stratified random probability sample of 75 Legal Services field programs. The sampling frame consisted of a list of 285 basic field programs, excluding law school-affiliated clinical programs, private attorney *pro bono* projects, migrant farm worker and Native American programs, judicare programs, support centers, and other specialized units.

To insure regional representation in terms of LSC resource allocation, the 75 sample programs were drawn from LSC-defined regions in proportion to the number of attorneys in each region. For example, since Region I had 6.5% of the attorneys in the 285 programs, about 6.5%, or five, of the 75 programs were selected from that region. However, *within* regions, programs were sampled in such manner as to reflect the number of attorneys they employed. The method is known as "sampling with probabilities proportional to size" (SPPS). It ensures that a particular unit's chance of getting into the sample is dependent on its size -- in this instance as measured by the number of attorneys. This was important because the funding cuts' ultimate effects are on clients and because number of attorneys is related, roughly, to the size of the population served by the program. The number of programs per se, in contrast, is not directly related to the size of the client population, and therefore an unweighted sampling of programs would have been unrepresentative with regard to the population served.

The use of SPPS may be illustrated as follows: Suppose that a given region had ten very small legal services programs, collectively serving 40% of the region's poor, and one very large program serving the remaining 60% of the poor. An unweighted sample of, say, three of the 11 programs would most likely exclude the very large program, and would therefore not reflect the majority of the client population. An SPPS sample, on the other hand, would almost automatically include the one large program, and would therefore be far more representative in the relevant and crucial respect. 1/

The following table shows the number and percentage of programs and attorneys in each region, and the distribution of (originally-drawn) sample programs across the regions:

Region	Number of Programs	Percent of Programs	Number of Attorneys	Percent of Attorneys	Initial Program Sample
I	16	5.6	302	6.5	5
II	21	7.4	609	13.0	9
III	37	13.0	551	11.8	9
IV	46	16.1	501	10.7	8
V	27	9.5	573	12.3	9
VI	62	21.8	1,016	21.7	16
VII	34	12.0	487	10.4	8
VIII	27	9.5	345	7.4	6
IX	14	5.3	292	6.2	5
Total	285	100.2%	4,676	100.0%	75

The Survey

This was a mail survey employing a self-administering questionnaire which included both closed and open-ended items. The form was designed to elicit full and detailed factual information on the effects of the 25 percent budget cut which became effective January 1, 1982. It inquired about conditions and circumstances existing during the year prior to this date and during the year following it. This was essentially an information-gathering instrument; it did not attempt to measure attitudes or opinions. The following were the principal subjects covered:

* Changes in Funding
* Staff Changes
* Changes in Program Structure
* Outreach and Geographic Coverage
* Special Units
* Training
* Changes in Caseload and Priorities
* Effects of Changes on Clients
* Private Bar Involvement

Respondents were assured that their programs would remain anonymous and that the information provided would be kept confidential.

Response Rate

Sixty-one programs, or 81 percent of the initial sample,

1/ The following sources, among others, describe SPPS in more detail: Sudman, Applied Sampling (New York: Academic Press, 1976), 134-138; Warwick and Lininger, The Sampling Survey: Theory and Practice (New York: McGraw-Hill, 1975), 107.

completed and returned the questionnaire. Where information was missing from the original return, it was sought by means of a follow-up telephone survey. However, not all programs responded to all questions.

There was some regional variation in the response rate, ranging from 100% to a low of 62.5%. (The regions were those defined by the Legal Services Corporation.)

The Sample

The sample includes programs from all geographic areas of the country. It includes state-wide programs, multi-county programs, single-county programs, rural and city programs. They range in size from three-attorney programs to programs employing well over 100 attorneys.

While the survey is based on a scientific sample of programs, the final sample may be regarded in other ways too. As a sample of programs, it constitutes 21.4 percent of the 285 programs in the sampling frame. But the sample is also, in a sense, a sample of attorneys (and other program personnel). The number of attorneys in the 61 sample programs at the beginning of 1983 was 1,590 -- an average of 26 per sample program. This is how the 61 sample programs were distributed according to number of staff attorneys:

Program Size: Number of Attorneys	Sample Programs Number	Sample Programs Percent
4 or fewer	2	3.3
5-10	14	23.0
11-15	13	21.3
16-25	10	16.4
26-50	15	24.6
51-75	5	8.2
76 or more	2	3.3
Total	61	100.1%

It is important to note that, because of the sampling method used (see the foregoing discussion of SPPS), the number of attorneys "represented" by the 61 sample programs constitutes a larger fraction of legal services attorneys than the sample programs are of all programs. Although the 61 sample programs are just over a fifth of the universe of 285 field programs, the attorneys they employ constitute virtually two-fifths of the total number of attorneys.

Similarly, the fraction of the low-income population "represented" by the 61 sample programs is also disproportionately larger for the same reason. In both the statistical and in the professional legal sense, these 61 sample programs represent close to half (45%) of the 29.5 million people below the poverty line (according to the 1980 Census). The following table shows the proportion of the poor population "represented" by groups of programs of varying size:

Program Size	Number of Programs	Poor Population Number*	Percent
3-10 attorneys	16	798,200	6.0
11-15 "	13	1,090,300	8.2
16-25 "	10	1,530,800	11.5
26-50 "	15	3,627,400	27.2
51-plus "	7	6,285,500	47.1
Total	61	13,332,200	100.0%

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* These are rounded figures.

CLOSING REMARKS

Senator RUDMAN. Thank you very much. In some ways you are preaching to the choir on this one.

Ms. MCMAHON. I realize that.

Senator Rudman. I think we have made some good progress, even though I am a strong supporter of the Corporation. There were things that went on that did need changing. I think the changes have been accomplished and a good deal of the adverse information is stale. It happened years ago. I think we have come a long way in straightening out some of the problems. I am hopeful that we will have a group of nominees presented under a formal agreement some of us had up in the Senate of which you may be aware. I don't think this committee or Congress should try to micromanage, if you will, the Legal Services Corporation. It ought to have its own board, and we are trying to get that done.

In the meantime, we will certainly have an interesting hearing when we have—who will be testifying for that? Mr. Bogard. That is the day of Mr. Meese's hearing, assuming he is confirmed.

Ms. MCMAHON. We would urge you to continue the protections on this program. It is our position the Corporation by its actions and budget request indicates it is still on the road for destructive——

Senator RUDMAN. That depends entirely on whether or not it can be a confirmed board. If it can be a confirmed board, and this Senate has confidence in the board to confirm it, then they ought to run it. Until we can get that board confirmed, I agree we ought to continue those restrictions.

My guess is that we will not have a confirmed board unless people in the Senate feel that the board is going to be fair. I don't think we ought to get involved with running any agency if we can help it.

SUBCOMMITTEE RECESS

This concludes the hearing this morning. We appreciate all your testimony. We are going to stand in recess until Wednesday, March 7 at 9:30 when we receive testimony from the Board of International Broadcasting, Securities and Exchange Commission, Equal Employment Opportunity Commission and Civil Rights Commission. The committee will stand in recess.

[Whereupon, at 12:10 p.m., Monday, March 5, the subcommittee was recessed, to reconvene at 9:30 a.m., March 7.]

STATEMENTS SUBMITTED SUBSEQUENT TO THE RECORD

(Clerk's Note: The following statements, submitted subsequent to the hearing, will be inserted in the record at this point.)

STATEMENT OF
ROBERT D. EVANS
on behalf of the
AMERICAN BAR ASSOCIATION

Mr. Chairman and Members of the Subcommittee:

I am Robert D. Evans, the Director of the American Bar Association's Governmental Affairs Group. I am submitting this testimony on behalf of the Association at the request of our President, Wallace D. Riley.

The Association's on-going support for the Legal Services Corporation is, I believe, well known to this Subcommittee. The Association's support was reiterated earlier this year when our Board of Governors, in establishing legislative priorities for the Association for the coming year, designated the preservation of a well-funded Legal Services Corporation as one of the Association's five highest priorities. The Board's action was based in part on a survey of over 300 leaders of the organized bar regarding what these priorities should be; the bar leaders rated support for the Legal Services Corporation as one of their two foremost concerns.

We appreciate the support shown by this Subcommittee in the past for this program. We also understand the very difficult decisions which the Subcommittee will have to make in developing a package of responsible and responsive appropriation recommendations for the coming year.

For a number of years our Association has supported Congressional funding for the Legal Services Corporation which would be sufficient to provide two attorneys for each 10,000 poor persons. This goal was nearly achieved in FY81, but subsequent funding cutbacks have meant that levels of service have once again fallen well short of the mark.

The standard of two attorneys for each 10,000 poor persons has been described as the "minimum access" standard, and it is indeed a minimum. There are over 20 attorneys for each 10,000 persons in the population as a whole, and the objective of supplying the equivalent of two attorneys for each 10,000 of the nation's 34 million poor persons would appear to be a modest goal.

It is estimated that the minimum access level currently would require an expenditure of just over $13/poor person, or a total of approximately $470 million. We believe a one-step jump in funding to such a level is unrealistic and we suggest that the objective be achieved incrementally in three steps. The difference between the current funding of $275 million and $470 million is $195 million. One third of that figure is $65 million, which is the amount we recommend as an increase, thereby bringing the FY85 budget to a level of $340 million.

It is to be noted that the figure of $340 million is less than 6% more than the FY81 appropriation of $321 million. Given the effects of inflation and the increase in demand for legal services to indigent persons over the intervening years, the increase suggested is certainly not exorbitant.

In making this recommendation, we in the private bar are not suggesting that we have no significant role to play in meeting the legal needs of the poor, or that the federal government should bear the burden of meeting these legal needs alone. To the contrary, we have actively supported for many years the provision of *pro bono* legal services by members of the private bar, and in recent years we have redoubled our efforts to encourage such activity. In the past two years, the number of organized pro bono programs involving private attorneys has grown from fewer than fifty to more than 300, and there are now more than 65,000 attorneys serving the poor in bar-association sponsored programs. We are proud of these efforts and of the contributions being made. And we are working hard to increase further the level of contribution.

But the private bar cannot, by itself, meet more than a small percentage of the legal needs of the nation's poor. Private lawyers, through diligent efforts, are now handling about 10% of the legal services caseload nationally. While this is a substantial volume of work being supplied at no charge by the nation's lawyers, it falls far short of the need resulting from the 25% funding cutback made three years ago, let alone of satisfying the total legal needs of the poor.

There must be a partnership between public and private resources if we are going to make any inroads into providing the nation's neediest persons with access to the justice system. The legal services program that has been evolving in the last several years is the kind of public sector-private sector cooperative enterprise which should serve as a model for efforts in other fields.

The nation is receiving excellent value for the modest investment it has made in the Legal Services Corporation. We urge you to assist the Corporation in meeting the goal of providing minimum access to justice for the poor by providing an appropriation of $340 million for FY85.

PREPARED STATEMENT

NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

This testimony is being submitted by the New York State Department of Environmental Conservation to highlight the impacts upon Department programs, responsibilities and interests of the proposed major reduction in National Weather Service capabilities in New York. These are not the only serious impacts that the reductions would have on State agencies, local governments and agricultural, commercial and industrial interests. We earnestly request that the subcommittee give serious consideration to the concerns of this agency and other testimony which may be submitted by other New York interests. We urge that no reductions be made in National Weather Service capabilities in New York but rather that they be restored to the FY 80 level.

The proposed budget for FY 85 would result in a reduction of services at New York City, Buffalo, Rochester, Syracuse and Albany; the downgrading of the Albany office from a Weather Service Forecast Office to a Weather Service Office; and the elimination of the Regional Hydrologist. With the reduction in staff and/or hours of operation, hydrological and meteorological forecasts and warnings will be reduced or eliminated. Attention to detail and the surveillance necessary for hazardous weather and flood warnings, particularly in flash flood areas, would be seriously handicapped. The collection, assimilation and dissemination of large amounts of hydrologic data would have to be reduced along with its concomitant coordination with the State and County Civil Defense Directors, Department of Environmental Conservation, Department of Transportation, State Police and other State and local need-to-know persons. The local self-help flood forecast and warnings program with about 25 counties in the State of New York would be curtailed or eliminated.

Reduction of Albany to WSO status will deteriorate this office's ability to issue hazardous meteorological and hydrologic warnings, both short fused and long term. The reduction in personnel will impede the ability of the Albany Weather Office to disseminate warnings and information to the mass media, public officials and the general public. The Albany office is of particular importance because of its accessibility to key New York State officials for interpretation, advice, information and support on special weather and hydrologic problems. . The scope of NWS reductions preclude maintaining forecasts and warnings, at the present quality and level.

The Bureau of Forest Protection and Fire Management relies on the National Weather Service to provide fire weather forecasts. These forecasts are the basis for dispatching the forest fire detection aircraft and for determining the number of Forest Rangers on duty during weekends and holidays. Elimination of these forecast services would reduce our planning capability and would result in greater fire losses.

While the National Weather Service's priority is to issue forecasts, watches and warnings to protect the public it also gives advice and is an important link in transferring information to the public and private concerns. By this process the Weather Service can work closely with other Federal, State and local agencies to provide important services to the public sector.

In the Division of Air Resources and NWS provides support to the following programs:

a.) Consultation and interpretation of meteorological conditions in cases of an air stagnation episode.

b.) Support for disaster preparedness activities;

1. Nuclear power plant emergency operations procedures
2. Toxic spills or accidents

The proposed cutbacks would severely limit staff capability to consult with the Weather Service on timely emergency issues involving items a and b. Staff reduction would mean that the NWS would only be able to produce the bare minimum of products and their effectiveness in other just as important decision making situations as a and b would be impaired. The downgrading of the Albany office to a WSO would put pressure on the other offices in New York State as well as other WSFO's such as Boston to pick up slack, but if other stations are also to receive cuts the system as a whole will be under a great strain. The important issue is that if these proposed cutbacks materialize country wide, the implications could be disastrous to public health and welfare.

The Division of Air Resources meteorologists also provide support for other Department programs in the Division of Water and Winter Recreation and Emergency Operations. Much of the data, especially hydrological observations are extremely important for timely assessment of potential flooding situations as well as drought assessment.

The Weather Service has been instrumental in providing timely data for our use in drought evaluation and consequently our recommendations to the Division of Water.

The Department of Environmental Conservation strongly opposes the elimination of the position of Eastern Regional Hydrologist. It is essential that a high level hydrologist be located within the northeast. The Department maintains an active liaison with the Eastern Region Hydrologist who has been instrumental in attempting to improve accuracy and timeliness of flood forecasts. The Department of Environmental Conservation is responsible for the operation of thirty-five major flood protection projects throughout the state. Because New York contains significant portions of the headwaters of major rivers, these rivers frequently reach damaging levels within a few hours of the beginning of heavy precipitation. Early forecasts and prompt updates are critical to the protection of life and property. The regional hydrologist has direct knowledge of the problems of New York and a strong desire to improve Weather Service products. Past experience in dealing with Federal agencies located outside of New York State has convinced staff of this Department that our needs are best met by agencies maintaining a high level of expertise within the state. Retention of the regional hydrologist is critical to the needs of the State.

PREPARED STATEMENT OF HAROLD W. WILLIAMS

PRESIDENT

INDUSTRIAL POLICY COUNCIL

My name is Harold Williams. I am the President of the Industrial Policy Council. We are an organization that is committed to the maintenance of a strong industrial and manufacturing base in the United States. We believe that the provision of trade adjustment assistance for firms and industries is one important way by which we can maintain such a strong base in the face of ever-increasing import competition.

One of the most successful programs of the Reagan Administration is its program of trade adjustment assistance for firms and industries. It is indeed ironic that despite its commendable record of administering this important program, the Administration refuses to request funds to maintain the program at present levels. Despite evidence in the Administration's own files that this program is working and working well, the Administration comes before this Committee and justifies its decision to discontinue the program on the basis of obsolete data, mistaken assumptions, and a refusal to recognize that the program brings in tax revenues far in excess of its modest cost.

The Congress has recognized, as the Administration has not, that trade adjustment assistance ought to be an integral part of the Nation's trade policy. At a time when protectionist pressures are mounting throughout the Nation, the Administration should not be abandoning a modest program that helps to dampen the fires of protectionism by providing an alternative to border relief. To be sure, trade adjustment assistance will never eliminate protectionist pressures completely, but adjustment provides the kind of alternative to protection that is logical, sensible and acceptable. Accordingly, it offers a politically viable alternative that can keep protectionist sentiment from overwhelming our trade policy.

The Administration's argument against the program is based on four mistaken conclusions. Let me restate each of these conclusions and tell you why we think they are wrong.

First, the Administration concludes that the fact that an industry has been harmed by import competition should not constitute justification by itself for special Government assistance any more than an industry that has been harmed by obsolescence ought to have special Federal help. This argument misses the point that import competition has traditionally led to pressures for higher tariffs and for import quotas. Direct measures to restrict imports invariably lead to retaliation and reduced world trade. Trade adjustment assistance is the answer to pressures for border relief. The existence of a credible trade adjustment assistance program can help stave off pressures for increased protectionism.

Twenty-two years ago, in 1962, the Federal Government made a compact with American businesses and American workers. That compact provided trade adjustment assistance for firms and workers in return for the willingness of firms and workers to allow tariffs to be reduced. It is wrong, shockingly wrong, for this Administration to ignore that compact and pretend that there is no difference between a firm that has been hurt by imports and one that has been harmed by ordinary competitive conditions.

A second Administration conclusion is that since U. S. trade laws provide remedies against unfair import competition, there is no need to provide additional trade adjustment assistance. There may be some persons gullible enough to believe that existing U. S. trade laws provide sufficient remedies to protect our industries from unfair import competition, but certainly the members of this Subcommittee who hear from their business constituents on a daily basis about the problems they are faced with from import competition will not accept that conclusion as justified by the facts.

Leaving aside the question of what is fair import competition and what is unfair import competition, the expense and delay involved in seeking remedy under existing laws is far too much for many businesses. Which is better for a business that has been harmed by imports:--to undertake a tedious and expensive process before the U. S. Trade Commission and the Department of Commerce that may or may not ultimately end up with countervailing duties or a quota or to seek relatively quick certification for trade adjustment assistance and begin getting help in becoming more competitive?

A third Administration argument claims that default rates for firms that have received loans under trade adjustment assistance suggests that a large proportion of loans and loan guarantees have failed to result in the intended adjustment. This conclusion ignores three aspects of the trade adjustment assistance program that have been presented over and over again to the opponents of the program within the Administration, and that have been ignored every year:

1. Most firms that have been helped under the trade adjustment assistance program never receive a Federal loan or loan guarantee. They receive technical assistance that may or may not involve financing from other non-Federal sources. Many such firms are able to adjust, as this Committee knows from the testimony that has been presented to it this year, as well as in past years.

2. The large default rates for loan and loan guarantees are a legacy of previous policies that mistakenly were too lenient in granting financial assistance. These mistakes have been recognized and corrected, largely since the Reagan Administration has had responsibility for administering the program. But the Reagan Administration refuses to recognize its accomplishments in improving the administration of financial assistance to firms suffering from import competition. The large default rates are a legacy of the past, but they do not apply to the loans and loan guarantees that have been made for the past several years.

3 The Administration conclusion ignores the crucial importance of assistance to trade-impacted industrial sectors, as opposed to individual firms. As testimony before this Subcommittee in the past has shown, such assistance has been effective, and it is helping with the adjustment process. It is largely with trade adjustment assistance funds, for example, that the tailored clothing industry has been helped to mount a research and development effort that will significantly increase the the industry's productivity.

I am sure that none of us who have been involved with trade adjustment assistance over the years would claim that the program is perfect or that it always works or that the adjustment is immediate and complete. But there is ample evidence that the Federal taxpayer gets his money's worth many times over in saved unemployment compensation, increased taxes on profits and wages, and lower consumer prices.

There is one final Administration argument that holds the program to be small and insignificant, affecting only a few firms and a few workers and not really worth bothering about. In fiscal year 1984, some 150 to 200 firms will receive some form of financial or technical assistance in carrying out an adjustment plan. About twice that many will receive help in preparing an adjustment plan, and many such firms are then able to carry out the plan without any further assistance. Under trade adjustment assistance, some 35 industries have received $32 million of technical assistance. These industry sectors involve some 228,000 firms and some 6.9 million workers. We estimate that in fiscal 1984 this program will be helping some 28 industries representing 50,000 firms and 3,800,000 workers. This is hardly an insignificant program. It may not be as big as some. Its impact on the budget is insignificant, but its impact on the many firms and workers that are helped is huge. And its impact on our ability to maintain an effective trade policy is potentially enormous.

It should be kept in mind that the kinds of firms being helped have changed markedly over the years. From 1975 to 1980, apparel, leather goods and textiles represented 56.3 percent of all firms certified. In 1983 these three industries accounted for only 28.9 percent of the firms certified. Firms in primary and fabricated metals accounted for only 6.5 percent during the 1975-1980 period. In 1983 they accounted for 16.7 percent. We are seeing more and more high technology and electronics firms. Trade adjustment assistance may have been primarily a program for small apparel firms in the beginning, but it is becoming important to many more industries today.

Because trade adjustment assistance for firms and industries is important; because it provides an alternative to border relief and unalloyed protectionism; and because it has proved its effectiveness over and over again; we ask that it be included in the fiscal 1985 budget at a level of $37 million, somewhat over the $25 million granted by the Congress for fiscal 1984.

We would expect that the $37 million would be composed of the following items: A total of $15 million would be provided for refunding the 13 trade adjustment assistance centers that are strategically located around the country and that provide fast, effective assistance directly to impacted businesses. Most of that $15 million would be used by the centers to provide technical assistance through their own staffs and through the employment of specialized engineers and consultants. This amount would permit 750 firms to be assisted in preparing petitions for certification, 375 firms to receive help in preparing adjustment plans, and 160 firms to be helped in implementing those plans. In addition to the $15 million of technical assistance provided through the trade adjustment assistance centers, an additional $7 million would be used for technical assistance to industries, some $12.5 million would be used for loans and loan guarantees, and $2.5 million would be available for administration of the program.

The technical assistance program has been increasing at approximately a 10% annual rate since 1981. The average cost of technical assistance per firm has risen from $66,000 in 1982 to $73,000 in 1983, and to an expected $80,000 in 1984. This amount includes the portion of the cost shared by the firm which must be at least 25 percent. The increase in cost is due to several factors, one of which is inflation. More significant is the fact that import competition is now affecting larger and more technologically oriented firms. Securing consulting help for such firms is more expensive.

The $7 million in industry assistance includes assistance to such industries as tailored clothing, women's apparel, leather goods, sporting goods, semi-conductors, electronics, gear manufacturers, steel foundries, hardwood dimension, machine tools, wood moldings, and jewelry.

The loan and loan guarantee program, while it directly helps only a small portion of the firms that become certified, is still important to the program, because it is the potential availability of financial assistance which impels many businesses to seek certification and to become interested in the program. Once they have become certified and undergo the discipline of preparing a real adjustment plan, they come to realize that their problems cannot always be solved by a soft loan, but that they must undertake basic changes in the way they do business. Technical assistance is provided for this purpose. Only about 15% of the firms that are certified ever apply for financial assistance. Yet, we estimate that if financial assistance were removed from the program, as many as 50 percent of the firms potentially eligible for certification would not submit petitions.

For the past several years, representatives of the many firms and industries that have been given new life and new hope under this program have testified before this Subcommittee and other Congressional committees on the importance of the program and how it has worked successfully to help them. Their testimony is in the records of the hearings over the past several years.

We hope that you will agree that this is no time to turn our backs on this important program for trade adjustment assistance to firms and industries. The strong dollar has intensified competition from imports and made it all the more necessary to help American businesses become more efficient and more productive. The clamor for increased protection grows. The demand for trade adjustment assistance is increasing. In the six months prior to May 1, 1983, some 180 firms were certified. In the six months after May 1, 1983, some 259 firms were certified. Program managers expect to certify some 500 firms in this fiscal year compared to 415 last year and only 215 in the previous year. The numbers grow daily.

As imports increase, pressures for protection mount. While some protection may be justified and necessary, the best answer to import competition is to help American business become more competitive. That is the aim of the trade adjustment assistance program for firms and industries, and that is the record of the program.

We ask this Subcommittee to give this program the funds it needs to maintain its effectiveness, and to continue its operation during the period for which the Congress has authorized its continuance. We ask for an appropriation for $37 million to continue the program through September 30, 1985. We believe that this program is important. It is needed. It has demonstrated its effectiveness. And it gives full value for every dollar spent.

STATEMENT OF

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

Introduction

This statement is submitted for the record to the Subcommittee on Commerce, Justice, and State, the Judiciary and Related Agencies of the Senate Appropriations Committee on behalf of the National Association of Regulatory Utility Commissioners (NARUC).

The NARUC is a quasi-governmental, nonprofit organization founded in 1889. Within our membership are the governmental agencies of the fifty States, the District of Columbia, Puerto Rico and the Virgin Islands which are engaged in the regulation of utilities and carriers. Our chief objective is to serve the consumer interest by seeking to improve the quality and effectiveness of government regulation in America.

The Association greatly appreciates this opportunity to request your support for funding to defray the travel expenses of the State members of the Federal Communications Commission's (FCC's) Federal-State Joint Board on jurisdictional separations and access charges (CC Docket No. 80-286) and their supporting staff members for the 1985 Fiscal Year.

Section 410(c) of the Communications Act of 1934 [49 U.S.C., Sec. 410(c)] provides that the FCC shall refer any proceeding regarding the separation of telephone company property between Federal and State jurisdiction, and may refer any other matter of joint Federal-State concern, to a joint board composed of three FCC commissioners and four State commissioners. Section 410(a) of the Act provides that the joint board members receive such allowances for expenses as the Commission shall provide.

Since our members represent the State governmental agencies which regulate intrastate telecommunications, we are extremely interested in ensuring that the joint board remains an effective body able to assist the FCC in implementing and monitoring the many changes currently taking place in the telecommunications industry.

The Role of the Federal-State Joint Board

The Congress has consistently recognized the importance of joint board proceedings. In 1982 legislation on telecommunications competition and deregulation (S. 898 and H.R. 5158) was not enacted, with the result that much of what these measures proposed was accomplished by the FCC and through the decisions of Judge Harold Greene in the AT&T antitrust case in the U.S. District Court.

Section 222 of S. 898 provided for the establishment of a Federal-State Joint Board to ascertain jurisdictional cost separations for the computation of access charges. and for the employment of staff support and the payment of travel expenses for the four State Board members [Section 222(b)(2)]. Similarly, the transitional and interexchange Federal-State Joint Boards in H.R. 5158 were authorized to appoint and fix the pay of staff personnel [Section 274(i)(3)].

In 1983 the universal telephone service preservation legislation introduced in the House and Senate (H.R. 4102 and S. 1660) contemplated a new role for the Joint Board as a permanent entity to administer a universal service fund for the maintenance of universal telephone service at affordable rates. That goal must be preserved and State regulatory officials can play an important role in the restructuring of the telecommunications industry to ensure that universal telephone service is protected.

On September 26, 1983, the Federal-State Joint Board issued its Second Recommended Decision and Order in CC Docket No. 80-286 recommending to the Commission a new jurisdictional allocation methodology for certain telephone company costs and the level of funding for a universal service fund to provide targeted rate support to telephone subscribers in high cost rural areas. In order to provide the greatest opportunity to accommodate Federal and State interests and to ensure that industry and consumer representatives had the best chance to present their views the Joint Board conducted several meetings in Washington, D.C. and a series of eleven regional hearings.

During the next several years the Joint Board will continue its activities. In its Decision and Order in CC Docket No. 80-286 released February 15, 1984, the FCC outlined several areas in which it determined that further Joint Board inquiry and recommendations are necessary.

First, the FCC called upon the Joint Board to monitor the results of the high cost portion of the interstate allocation and to issue supplemental recommendations if adjustments are necessary.

Second, the FCC approved the Joint Board's recommendation that the Commission extend the Board's responsibilities to include monitoring the implementation of access charges and the new separations changes. This monitoring function will be critical in providing the FCC with the opportunity to make appropriate adjustments in a timely manner.

Third, the Commission requested the Joint Board to monitor the future use of high cost area assistance.

In addition the FCC has requested further Joint Board inquiry into the separations treatment of certain central office equipment, (COE), closed end WATS access lines, and Centrex/CO lines, as well as the possibility of creating a new separations category for costs incurred to provide equal access to all interexchange carriers. The Board was also authorized to review its recommendation concerning the cost of capital and calculating the high cost assistance in order to prepare additional comments.

Finally, in a new Notice of Proposed Rulemaking, the Commission requested the Board to review the separations treatment of all COE, elaborating on the request contained in the Decision and Order as described above, as well as interexchange plant costs. As part of this inquiry the FCC has asked the Board to examine all existing COE plant categories, the procedures for assigning COE costs to the various categories and the factors for allocating COE costs beween the jurisdictions. As to interexchange plant costs, the Joint Board is to consider the validity of allocating traffic sensitive interexchange plant costs on the basis of total relative use instead of peak period traffic levels and to examine the validity of the message minute mile factor.

Also in the new Notice, in the combined access charge Docket Nos. 78-72 and 80-286, the FCC will grant the present

Joint Board broad authority in three areas which, in its Memorandum Opinion and Order, released February 15, 1984, in Docket No. 78-72, it indicated were needed before end user access charges on residential and single line business customers could be implemented.

Specifically, the FCC will grant the Joint Board authority to oversee further inquiry to: (1) devise exemptions or target assistance for subscribers who may not be able to afford end user charges; (2) adopt more effective mechanisms to meet the needs of small telephone companies for more assistance; and (3) examine how best to implement an end user charge for residential and single line business customers.

The Commission stated in the Notice that it does not intend to preclude the Joint Board from considering possible variants to end user charges that will significantly decrease toll loading and achieve the Commission's basic goals. This will provide the Board authority to develop possible alternative to the FCC's flat rate end user charges. The Joint Board must complete its access charge inquiries by November 15, 1984.

From the above, it is apparent that the present Joint Board will play an active role in future telecommunications policy decisions. Since the issues assigned to the Board are of a national scope, their efforts will undoubtably require a significant amount of travel by the State members to Washington, D.C. and by all Joint Board members to other parts of the country.

Defraying the Travel Expenses of the State Members of the Federal State Joint Board

Due to the expanded role the Joint Board will undertake in the future, the NARUC respectfully requests that at least $68,900.00 be added to the FCC appropriations for FY 1985 to defray the travel expenses of the four State members of the Joint Board and their staff.[1]

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[1] A list of the State members and the staff and an explanation of the method of calculating the requested amount are contained in Appendices A and B, respectively.

The participating State members render a national service when a Joint Board is convened. State involvement is essential to determining crucial telecommunications issues. since State officials are in the best position to assess the needs of their consumers and to balance any competing interests. In addition, the Federal government benefits in convening Joint Boards by acquiring the benefit of State expertise, conserving the use of Federal officials and strengthening Federal-State cooperation. It is for these reasons that the FCC has endorsed the allocation of funds for State members expenses in the past.

However. it is inappropriate for a few State commissions with limited travel budgets to bear the travel, food and lodging expenses of the cooperating commissioners when the service these officials and the staff provide is of national benefit.

Section 410(a) provides the necessary authorization for the appropriation, particularly if accompanied by report language that these funds are to be expended for both commissioners and staff. The NARUC urges the Subcommittee to support the allocation of the necessary funds.

Conclusion

At a time when the telecommunications industry is undergoing a radical transformation it is imperative that Federal and State regulatory bodies continue to work together in implementing the impending changes and ensuring a smooth transition without disruption in services. In order to maintain effective State participation in these efforts, we respectfully urge your support for an appropriation to defray the expenses of the State commission and staff members of the Federal-State Joint Board.

PAUL RODGERS
General Counsel

LINDA KENT
Director of Congressional Relations

JILL L. ROWE
Assistant Director of
Congressional Relations

APPENDIX A

State Members
Federal-State Joint Board to Consider
Changes in the Separations Manual.
Federal Communications Commission
(FCC CC Docket No. 80-286)

Edward P. Larkin, Commissioner
New York Public Service Commission
New York, New York

Edward B. Hipp, Commissioner
North Carolina Utilities Commission
Raleigh, North Carolina

Edward F. Burke. Chairman
Rhode Island Public Utilities Commission

Marvin R. Weatherly, Commissioner
Alaska Public Utilities Commission
Anchorage. Alaska

State Members
Staff Committee for the Federal-State Joint Board

Kathleen L. Whiteaker
Alaska Public Utilities Commission
Anchorage, Alaska

Guy E. Twombly
Maine Public Utilities Commission
Augusta, Maine

Robert E. Osborn
Iowa State Commerce Commission
Des Moines, Iowa

Paul Popenoe
California Public Utilities Commission
San Francisco, California

Hugh L. Gerringer
North Carolina Utilities Commission
Raleigh, North Carolina

Ronald Choura
Michigan Public Service Commission
Lansing, Michigan

Gary A. Evenson
Wisconsin Public Service Commission
Madison, Wisconsin

Allen Bausback
New York Public Service Commission
Albany, New York

Timothy J. Devlin
Florida Public Service Commission
Tallahassee, Florida

Walter E. Edge. Jr.
Rhode Island Public Utilities Commission
Providence, Rhode Island

Elton Calder
Georgia Service Commission
Atlanta, Georgia

APPENDIX B

Summary of State Member Expenses. Federal-State Joint Board and Its Staff Committee to Consider Changes in the Separations Manual (FCC CC Docket No. 80-286) for 1985 Fiscal Year

The Federal-State Joint Board holds an average of three three-day meetings per year, while its Staff Committee holds an average of eight three-day meetings per year. The average expenses for a member to attend one three-day meeting in Washington, D.C. are as follows:

Meals	$ 85.00
Travel	372.00
Lodging	188.00
Miscellaneous	44.00
Total	$689.00

Cost for four State commissioners to attend three three-day meetings (4 x $689 x 3)	$ 8,268.00
Cost for 11 State staff members to attend eight three-day meetings (11 x $689 x 8)	60,632.00
Total	$ 68,900.00

STATEMENT OF THE
AMERICAN SOCIETY OF CIVIL ENGINEERS

AMERICAN
SOCIETY OF
CIVIL
ENGINEERS
FOUNDED
1852

The American Society of Civil Engineers (ASCE), founded in 1852, is the oldest national engineering society in the United States. Membership, held by individual professional engineers rather than companies or organizations, is over 95,000. The membership is about equally divided among consulting engineers or those who work for them; engineers working for federal, state or local governments, and those employed in research, industry, construction or in universities. The Society's major goals are to develop engineers who will improve technology and apply it to further the objectives of society as a whole, to promote the dedication and technical capability of its members and to advance the professional and economic stature of civil engineers.

The Administration's budget proposal for fiscal year 1985 once again calls for the elimination of the Center for Building Technology (CBT) and the Center for Fire Research (CFR) of the National Bureau of Standards (NBS). The rationale is that these programs are more properly the role of the private sector and state and local governments. Frankly, the Society is surprised and disturbed that the Administration is once again trying to zero out these programs. Last year, after the fiscal 1984 budget proposed to eliminate this funding, numerous statements were filed on behalf of a variety of different organizations which stressed the valuable role performed by the Center for Building Technology and the Center for Fire Research. ASCE wishes to go on record as strongly supporting the Center for Building Technology and the Center for Fire Research and opposing the Administration plan for eliminating their budgets in fiscal 1985. The specialized laboratory facilities and equipment and the comprehensive abilities of the professional staffs of the Center for Building Technology and Center for Fire Research constitute public resources which should be more fully tapped and not arbitrarily diminished by short-sighted budgetary concerns.

The Center for Building Technology, which performs field, laboratory and analytical research to develop measurement techniques and to evaluate the properties of buildings construction materials, components and systems, cannot be replaced by proprietary research programs. As civil engineers, the members of the Society need sound technical information to make responsible and cost effective decisions in the building process. The Center for Building Technology provides such information in a way that no private organization can. Neither the Society nor other non-profit organizations can replace the technical abilities and professional expertise of the CBT. The private sector would be unable and unwilling to fill the major void created by eliminating the Center for Building Technology.

In addition to being the principal source for the necessary information which allows the development of voluntary building standards, the Center for Building Technology research provides other benefits which far outweigh its costs. Perhaps the most important of these is that it establishes the technical information which allows policy makers to reduce the burdens of unnecessary or ineffective regulations while assuring that the safety of the public is preserved. The CBT has also served as the neutral laboratory investigating major building and construction failures, identifying the technical causes and publishing the results to educate the public and the building industry. This Subcommittee should also recognize that without a specific appropriation, the CBT would be incapable of providing the authoritative laboratory support for federal agencies which need assistance in developing criteria for the design, construction and maintenance of their facilities. Although we cannot offer a financial analysis, it is likely that the technical support from the CBT provides the federal government with savings in the life-cycle costs of its buildings which annually exceed the appropriations for the Center. To not provide a specific level of new funding for the CBT would be to ignore a productive investment opportunity.

The Center for Fire Research also contributes to public safety in a way that no privately funded research effort could. The research and evaluation work of the CFR is illustrative of a cost-effective basic capability which should be promoted by the federal government. The termination of this important life-safety fire research essentially would stop the development of fire control technology in the United States. If the specter of eliminating life-saving opportunities does not deter efforts to zero-fund the CFR, the cost-saving opportunities should persuade a budget-conscious government to reconsider the proposal. Fire-safe building design techniques can save money for all sectors of our society. Without the CFR, fundamental research programs will stop and engineering criteria will no longer be generated. Such a short-sighted budget approach is deleterious to the economic interests of the American people and threatens all our lives.

From the perspective of the professional expertise of civil engineers, the prospect of eliminating the Center for Building Technology and Center for Fire Research is tragic. We suggest that specific appropriations for each Center, at a minimum of the fiscal 1984 levels, are called for and urge the Subcommittee to allow the Centers' vital work to continue.

PREPARED STATEMENT

American Fisheries Society

The American Fisheries Society appreciates the opportunity to present these written comments concerning the proposed Fiscal Year 1985 budget of the National Marine Fisheries Service. We ask that these comments be included in the hearing record.

The American Fisheries Society, founded in 1870, is the world's oldest and largest organization of fisheries scientists. Our 8,000 members, employed by public agencies, educational institutions and private industry, have been active in fisheries research, publishing, conservation, and enhancement for 114 years.

For over one hundred years - even before the major regulatory and development legislation of the 1970's and 1980's became law - the Federal Government has recognized the need to be involved in fisheries issues. It is incongruous that the fisheries budget should be proposed for a nearly 40 percent reduction at a time when the need for information and sound resource management has never been greater. This shortsighted proposal mortgages the future of our fishery resources, their environment, and those who depend on them for livelihood, protein and recreation.

HISTORICAL REVIEW

Before we comment on the specific proposal in the 1985 Budget, it will be helpful to examine the history of NMFS manpower and funding. Since NMFS was transferred to NOAA in 1970, the Agency has never been adequately staffed or funded to carry out the responsibilities delegated to it.

With the thought that the Committee and others might gain a better perspective of the Agency's fiscal problems, AFS has prepared a summary of NMFS manpower resources since 1970 and has added a partial chronological list of legislative actions which have impacted the Agency during that time. In addition, numerous other pieces of legislation and court decisions have placed major demands on NMFS. We urge that the Committee give special attention to Figure I.

Figure I reflects the manpower/legislation schedule; Figure II treats the budget in real dollars, and after 1975, in constant dollars; Figure III shows the rising value of U.S. Commercial Fish Landings in both real and constant dollars.

Figure I lists major legislative Acts giving new responsiblity to NMFS and Acts moving substantial new work requirements to NMFS from other agencies. Between 1970 and 1983 the number of NMFS full time employees ranged from 1,994 in 1970 to 1,747 in 1983. There was a further drop to 1,729 in FY 1984. These fluctuations of about 14% in personnel numbers over 14 years constitute near level funding. Incredibly, over this same period NMFS was given (through new legislation, amendments to existing legislation, and as a result of certain court decisions), enormous new workloads justifying, though not receiving, additional staff in the hundreds. Regrettably, NMFS has been forced to reorganize its existing programs in endless repetition, cannibalizing one program after another in trying to meet growing responsbilities. Many new assignments have been thrust on NMFS, only to be funded and staffed at token levels. They have been implemented by parasitizing, dropping, or neglecting ongoing programs. We have not listed many less burdensome Acts which expanded existing programs or gave NMFS substantial new responsibilities. Court actions such as Zabell vs. Tabb in 1968 and the Bolt Decision have also resulted in substantial new workloads.

It is to the great credit of the staff of NMFS that so much has been accomplished. Achievements have come through Herculean efforts plus stop-gap subcontracting and encouraging states and industry to assume some of the functions. NMFS has also asked foreign fishermen to gather information for the U.S. in connection with fishing rights in U.S. waters. Unfortunately, much NMFS responsibility has been unavoidably neglected or only partially fulfilled because of fund and staffing limitations.

It is difficult for us to understand why the United States cannot, or will not, adequately fund and staff the one agency with the expertise to properly manage national fisheries resources. U.S. fisheries represent one of the world's greatest renewable natural treasures, to wit about 20% of the world's supply, (a priceless source of high quality food), is found within our 200 mile coastal waters.

The U.S. is a nation of 239 million people with an annual federal budget of nearly a trillion dollars, a Gross National Product of $3 trillion, Commercial Fishery Landings of $6.2 billion at retail, and Recreational Fisheries with an economic value of $5 billion. Yet the NMFS staff has been "chopped" to 1,729 and in fiscal 1985 the Administration proposes to further reduce it by at least 400 positions. Our fishery resources are migratory and occur along 95,429 miles of coastline with an economic zone 200 miles wide. The existing staff of 1,729 and budget of $176 million is already at a "starvation" level. If we expect to continue enjoying the many bounties of the sea, then we must be good stewards. Indeed, we should be expanding rather than looking for further cuts.

We recognize that under the existing budgeting procedures no official of the NMFS can come before the Congress and identify the fiscal resources which the professional of the agency find necessary for management of renewable aquatic resources. Every Administration must control budget requests, however, Congress and the public servants of the Government need to communicate on these vital resource needs. We believe that the Committees of Congress should conduct oversight hearings to document the dollars and staffing (including scientists, other professionals, support personnel, laboratories, vessels, equipment, and funds) necessary to adequately manage the nation's marine fishery resources. The neglect has endured too long. In the interim, we believe that the proposed 1985 NMFS budget reduction should be disallowed.

LOOKING AHEAD

There are dramatic examples of how past and present activities of NMFS have served the Nation well. In earlier years, the exploratory fishing program led to major new fisheries, such as for shrimp throughout the Gulf of Mexico and Caribbean, for Atlantic offshore lobster and clams, for Alaska crab and bottomfish, and much more.

Fisheries research and skilled negotiations have led to equitable treatment of U.S. interests in fisheries agreements throughout the world. Consider salmon and tuna in the Pacific, groundfish in the Atlantic, shrimp off South America, etc. In recent years, NMFS fisheries research developed information leading to improved investment decisions which saved vessel and processing plant operators untold millions of dollars through predictions of stock abundance. Examples include predictions of the decline in North Pacific crabs and Atlantic haddock and herring. Such predictions not only reduce overcapitalization, but provide the basis for fishery managers to implement rules to prevent overfishing and stock collapse. Fisheries management plans have been in existence only a short time, yet we have seen major benefits already. As one example, the Gulf of Mexico fishery management plan for shrimp yielded a benefit of $12.1 million at the fisherman level in 1981 - its first year of implementation!

Benefits from NMFS research also accrue to the nation's huge recreational fishing industry. Of particular importance have been research on artificial reefs and stock assessment studies for such high value species as swordfish, marlin, and tune.

NMFS programs provide a comprehensive/integrated approach to ensuring the continuing productivity of the Nation's living marine reosurces.

Wise management of our fisheries resources requires that the fish and their habitats be thoroughly understood and ardently protected. Wise management is equally dependent upon a strong and stable commercial and recreational fishing industry. The various efforts needed to do this are all addressed, albeit in a very modest way, by the present NMFS program. The proposed budget if enacted, would decimate a program that has successfully served the Nation's fisheries for over one hundred years.

Throughout its existence, the NMFS fisheries program has adjusted to the demands upon it. In the 1800's and early 1900's there was need to know why stocks were decreasing. In the 1950's and 1960's, there was need for exploratory fishing and international treaties. In the 1970's and 1980's, the focus has changed to domestic fisheries management.

Through the years, a program integrating all facets of fisheries science has evolved. State grants cannot be terminated without terminating the collection of much of the fishery statistics used by NMFS in fisheries management. The fisheries research fleet cannnot be tied up without rendering useless the vital time-series of resource assessment data upon which stock abundance predictions are based. Research on Pacific salmon interceptions cannot be ended without ending hopes for a Pacific salmon treaty with Canada, and similarly, research on habitats is vital to predicting stock abundance and to finding ways to mitigate the effects of coastal development.

This program integration is not limited to NMFS. For example, the Sea Grant Marine Advisory Service provides for transfer of NMFS information and technology to the fishing industry; the Internaitonal Trade Administration uses NMFS materials to develop fishery markets overseas; the Department of State uses NMFS recommendations to negotiate fisheries treaties; the COE uses NMFS counsel to guide development of coastal areas while keeping fisheries habitat loss to a minimum, the Coast Guard uses NMFS scientists in oil spill investigations and EPA uses NMFS technical expertise in NPDES permitting, in administering Section 301H provisions of the Clean Water Act, and in regulating ocean dumping.

The United States owns and has the responsibility for management of roughly one-fifth of the world's fishery resources. Despite the enormity of these resources, we import four billion dollars in fishery products annually. Exports amount to only about one billion dollars, so the resulting trade deficit makes the fisheries sector the second most important factor in this Nation's iimbalance of trade problem.

If properly managed, our renewable fisheries resources can be expanded and maintained indefinitely. Fisheries experience shows that when stocks are mismanaged, they can be overfished so that recovery will take decades and, even then, be uncertain.

It will be impossible for NMFS to accomplish the intent of Congress for the conservation, management and development of the Nation's living marine resources within the budget proposed for 1985. The American Fisheries Society urges Congress to, at a minimum, restore the proposed reduction in the NMFS budget.

And now some of the NMFS FY 1985 budget matters of greatest concern to the American Fisheries Society.

Information Collection and Analyses - FY 1985 Base $78,919,000
(FY 1985 Budget Request = $59,133,000)

This Subactivity provides most of the resource research and management information activities of NMFS. With these funds NMFS collects and analyzes a broad range of information on fishery resources and the fishing industry. The Administration is seeking a 25 percent reduction in this work. How is this possible, in light of increasing complexity of ocean use and fisheries allocation? As available information decreases, fisheries managers must become more conservative in setting harvest levels to protect the stocks. With more accurate information, the manager can set harvest levels closer to maximun economic yields, thus returning the Government's investment in fishery research, many times over.

Some impacts of the proposed cuts are as follows:

Reductions in research vessel funding and fish stock analyses will destroy the utility of the time-series of resource assessment data. It is preposterous to think the $5.3 million planned for vessel charters (about half of the present vessel funding level) is capable of filling, (in either quantity and quality) the void caused the the tie-up of the NOAA fleet.

Research on the interception of salmon will end, thus dashing the hopes for a salmon treaty with Canada. Congress demanded a strong U.S. position in treaty negotiations, but that is impossible without credible information to make our case.

Sea turtle populations will be further jeopardized by reductions in research. This research is critical if we are to resolve the conflict between protecting endangered species and achieving full production from one of our most valuable fisheries.

The habitat research program is scheduled for a 54 percent reduction. This occurs at a time when estuaries are increasingly threatened by development and pollution. Healthy estuarine environments are absolutely necessary to shrimp, our most valuable fishery, menhaden, our greatest volume fishery, and many fin fish resources.

Aquaculture research in NMFS (and, of course, Sea Grant) would end, thus "pulling the rug" from under an infant industry. Termination will close the Galveston, Texas laboratory and the Manchester station in Washington as well as NMFS support for the Newport, Oregon faciltiy operated by Oregon State University.

Recreational fisheries research and fisheries development work at Tiburon, California will also end and that laboratory will close.

The work on the application of remote sensing to fisheries in Bay St. Louis, Mississippi will end, and with it NMFS's presense at a major technological center.

Proposed reductions in the recreational fish survey will prevent compilation of essential nationwide sport fishery statistics. Surveys will be conducted only in part of the country, thus seriously impairing the validity of the results.

Reductions in menhaden and ecosystem analyses at Beaufort, North Carolina will jeopardize the health of our number one fishery.

The proposed closing of five major NMFS laboratory facilities is a serious mistake. The Oxford, Maryland lab is a major center of excellence in matters of fish and shellfish disease; the Galveston, Texas laboratory has been the center of research on shrimp, our most important catch; the Bay St. Louis, Mississippi facility has the core of NMFS expertise on remote sensing applications to fisheries; the Tiburon, CA laboratory provides indispensable research on rockfish and other West Coast species, and the Gloucester, MA lab has consistently been a leader in seafood quality, safety and technology. While the Administration states that only these five facilities will be closed, we in the American Fisheries Society believe the huge budget cuts will reduce program levels so that NMFS will be forced to close additional facilities as well.

Many NMFS research facilities and the scientific expertise and experience they sustain are nationally unique. They cannot be duplicated at existing state, private or university facilities. Once these pools of talent are dispersed, restoration of the facilities and their dedicated teams can be accomplished again only after years of study and work. Study and work to be done when? by whom? with what funds? and with what assurance of the continuity essential to scientific credibility? Scientific excellence doesn't just happen, it is built through long years of dedicated effort.

NMFS staff are stressed in every scientific area by lack of funds and personnel. There is no staff redundancy and in most situations, there is no back-up staff. This inevitable weakness of excessively limited budgets does not bode well for the future because the necessary "next generation" of trained scientists will be non-existent.

As you can see, reductions in Information Collection and Analysis are not trivial nor do they permit the states or industry to fill the void.

Conservation and Management Operations - FY 1985 Base = $48,289,000
(FY 1985 Budget Request = $30,411,000)

NMFS uses information addressed in the previous sub-activity as a foundation for its Conservation and Management Operations.

Fisheries resource services will be sharply curtailed, for with a reduction of 37 percent ($17,878,000) in Conservation and Management Operations, there will be few professionals left in NMFS and in the Councils to use the information! Some of the impacts follow.

The budget of Fishery Management Councils would be cut 55 percent, perhaps terminating their ability to provide the Congressionally mandated forum for the Fishery Management process. The great strides being made by the Councils in increasing fisheries economic yield would end abruptly. Additional progress, so readily attainable, would not occur and regression would begin.

Termination of the Columbia River program would close 22 Columbia River Salmon hatcheries ($8.2 million) as well as the Environmental and Technical Services Division (ETSD) in Portland, Oregon ($1.754 million). Legislation has been introduced (H.R. 5052) for alternate funding of operation and maintenance of the hatcheries, but it is controversial and may not be in place for FY 85. Neither the FY 85 budget nor H.R. 5052 includes funding for the ETSD which has expertise and activities critical to salmon production in the Columbia River System (fish ladders, screens at dams and diversions, technical assistance to the Power Planning Council, etc.)

The impact of this $9.954 million reduction is highly insensitive to resource impacts and the health of coastal economies in the Northwest. Columbia River hatcheries were built as mitigation for the collossal destruction of spawning and rearing habitats of anadromous fish resources. These losses were caused by U.S. Government water resource development projects. Until alternate funding for hatchery operation and maintenance is assured, the Federal Government should never default on its solemn commitment to mitigate in perpetuity those enormous damages. Regardless of funding source, the Environmental and Technical Services Division should be continued at its present $1.754 million level.

The habitat conservation programs through which NMFS intervenes on behalf of fishery resources, are already at a tragically inadequate level. The tremendous value of the program deserves greater Administration recognition and support rather than less.

Of special importance is the fact that NMFS, under the Fish and Wildlife Coordination Act, provides a unique and vital technical advisory service to the COE, EPA, the Federal Regulatory Commission, and other Federal construction and regulatory agencies. Through its Habitat Conservation program, NMFS, in cooperation with State agencies, provides the regulatory agencies with a forecast of the impact of their action on fishery habitats and recommends measures to minimize them. Those agencies lack the expertise to conduct such resource analyses for themselves. NMFS is the only Federal agency with the scientific background in living marine resources to provide this service. For example, in the Southeast alone, NMFS recently helped save nearly 17,000 acres of habitat, worth about $33 million in annual fisheries production. Project costs to the affected developers were reduced by about 15 percent through identification of environmentally acceptable alternatives.

We find that unjustified and unacceptable reductions are being proposed in Conservation and Management Operations budgets.

State and Industry Programs - FY 1985 = $19,314,000
(FY 1985 Budget Request = $4,087,000)

NMFS operates a series of cooperative national interest programs with the states and the fishing industry. The programs in this subactivity are slated for a reduction of an appalling 79 percent ($15,227,000). The impacts of these reductions are as follows:

All grants to states for fisheries research development and restoration of anadromous fish (such as salmon and shad) will end. Where will NMFS obtain catch statistics when states suspend their grant-funded activities in data collection? No part of the budget adjusts for such losses. The federal role is legitimate and necessary. The resources addressed generally transcend state boundaries (e.g. salmon, striped bass, shad, menhaden) and there is little incentive for any one state to budget for activities which primarily benefit other users of the resource.

The Saltonstall-Kennedy (SK) fisheries development grant program is not included in this sub-activity, but is related. The Administration proposes to end the program and transfer all funds (derived from 30 percent of tariffs on fishery imports) as an offset against budget deficits. Also, the proposed budget states that no fishery loans for vessels or shoreside facilities will be guaranteed. In December of 1982 Congress passed a law making such an S-K transfer, and loan guarantee restriction, illegal.

The Atlantic States, Pacific States, and Gulf States Marine Fisheries Commissions fill indispensable roles in coordinating coastal state efforts to manage near shore species and migratory stocks. Though the Commissions receive partial funding from each of the states they represent, the Commissions could not be sustained as viable units without project contractual support from NMFS.

We in the American Fisheries Society are extremely alarmed about the NMFS budget proposal, but perhaps even more concerned about the apparent philosophy of disregard for fisheries resources. Cutting back on fisheries funding in order to reduce the deficit will have precisely the opposite effect.

Where will it all end? This Administration has ignored our arguments and has compounded our dismay by seeking further dismantling of fisheries programs this year. Rather than undermining its fisheries effort, the nation should be making sound and substantial additional investment in fisheries enhancement. The payoff from such investment will be important to the nation's future and we specifically suggest the following for study by Congress:

Examples of Specific NMFS Program Enhancement Needs
(Beyond FY 1984 Funding Levels)

o Enforcement $1.5M

Provide for an expansion of MFCMA Fishery Management Plan enforcement and investigation of illegal product shipments and trade in the seafood industry.

- West Coast Fishery Information Network $1.0M
  Provide for development of the state-Federal fishery information network to create a shared catch/effort data base for the Pacific coast.

- Habitat Regional Action Plan $1.5M
  Provide for completion of regional action plans in all regions to improve effectiveness and consistency in the review of proposed habitat alterations.

- Interjurisdictional Fisheries Management $1.0M
  Provide contract funds for state management actions in support of interjurisdictional fisheries management in the territorial sea and regional council management action in the FCZ.

- Fishery Information to Support Management $10.0M
  Provide for expanded resource surveys, i.e. S.E. Seamap, Pacific Groundfish ($2.5), development of salmon management information ($1.5); as well as enhanced collection of basic fishery statistics ($6.0).

- Antarctic Research $1.0M
  Provide for NMFS participation in Antartic resource assessment and biological studies to define resource potential and limitations on exploitation.

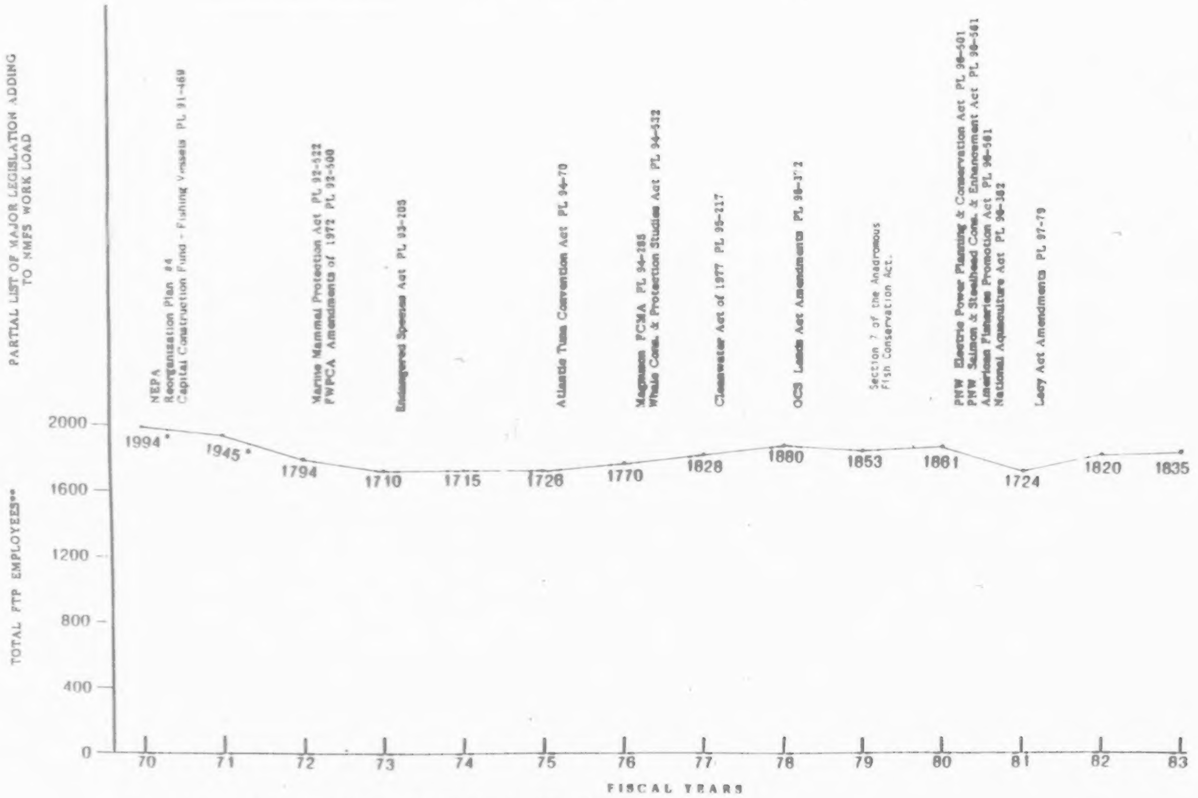
Thank you for the opportunity to present our views.

Sincerely,

Carl Sullivan

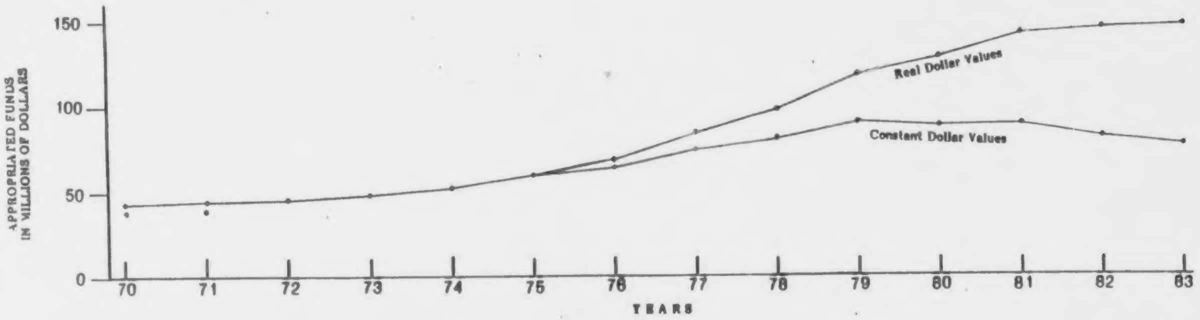
Carl R. Sullivan
Executive Director

FIGURE 1. — NMFS WORKFORCE—correlated with addition of new responsibilities.



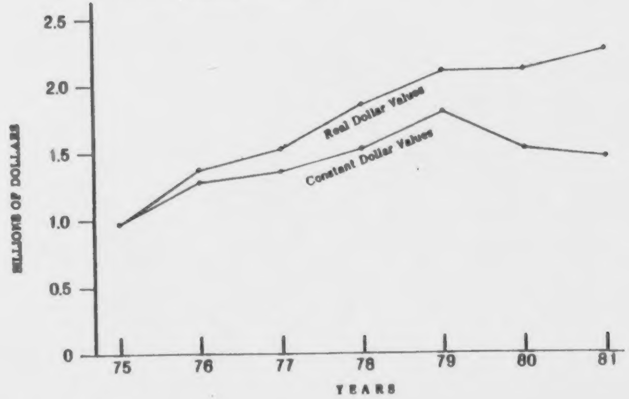
*Bureau of Commercial Fisheries — Includes Staff of NMFS Vessels and Great Lakes Fishery Lab.
**Actual FTP Employees on duty. May vary by one or two percent from "authorized" positions.

FIGURE II. — NMFS Budget.**



*Bureau of Commerical Fisheries — Includes NMFS Vessels and Great Lakes Fishery Lab.
**Does not consistently include all SK and Fishery Management Funds.

FIGURE III. — Value of fishery landings.



PREPARED STATEMENT OF MICHAEL WEBER

Center for
Environmental
Education

We are writing to urge that the Committee on Appropriations restore funds proposed for elimination in the FY85 budget of the National Oceanic and Atmospheric Administration (NOAA). Since we are quite sure that other organizations will provide their views regarding many of the unreasonable budget cuts proposed by NOAA, we shall focus upon those of more immediate interest to the Center for Environmental Education (CEE).

We request that this statement be included as part of the record of the hearings that your Subcommittee will be holding on the NOAA budget.

1. National Estuarine Sanctuary Program: The administration proposes to reduce the budget for this program from $2.93 million to $680 thousand in FY85. Like many of the other proposed FY85 budget cuts, similar cuts have been proposed in the last two yearrs. The rationale for the current cuts is no sounder than past rationales, which the committee has rejected. There is a difference this year, however, for NOAA is advocating decertification of five designated National Estuarine Sanctuaries. Not only is there no basis in the authorizing legislation for such an action, but those sites being considered for decertification, among them Elkhorn Slough in California and South Slough in Oregon, have recently received favorable reviews by NOAA's Office of Ocean and Coastal Resource Management under Section 312 of the Coastal Zone Management Act, of which the Estuarine Sanctuary Program is a part. The proposed budget cuts and decertifications contradict the very structure of the program which relies upon matching state and federal grants for the protection of estuarine areas. At a time when our nation's estuaries are under increasing pressure from human activities, we believe the federal government should at least maintain current levels of protection for these valuable resources. We therefore request that the Estuarine Sanctuary Program's funding be raised at least to the base level of $2.93 million. We also request that NOAA be forbidden from using any appropriated funds for the purposes of considering the decertification of designated sanctuaries.

2. National Marine Sanctuary Program: NOAA proposes a budget of $2.82 million for the National Marine Sanctuary Program. NOAA assumes that during 1984 three additional sites will be designated. According to NOAA's testimony presented to the House Subcommittee on Oceanography and the Subcommittee on Fisheries and Wildlife Conservation and the Environment on 24 February 1983, the cost for individual sites averages $200,000. During FY83, the management, research, and educational costs for six sites was $1.617 million. As we understand, federal program office costs and overhead account for another $1,000,000. The addition of three sites at an average of $200,000 each will bring the program's minimum overall budget up to $3.217 million during FY85, far beyond the administration's request. Put another way, while NOAA proposes increasing the number of sanctuaries by 50%, it also proposes to increase the funding for sanctuaries by less than one percent.

   Even with the FY84 budget of $2.264 million and only six designated sanctuaries, research and educational programs at a number of sanctuaries have been seriously curtailed. There are no educational programs at either Looe Key or Key Largo National Marine Sanctuaries, for instance, despite the fact that these sites are heavily used by recreationists. A recent report by the State of Florida (9 January 1984 Memorandum to the Governor from Elton J. Gissendanner) indicates quite clearly that there must be expanded educational efforts directed at recreationists if the resources of the sanctuaries are to be adequately protected. Furthermore, the research budget at Key Largo has been so drastically reduced, we understand, that a water quality monitoring program established over the last several years will not be maintained. This is particularly disturbing since considerable development is being planned for land adjacent to this sanctuary. There is an even greater need for maintaining the ability to detect the impact of increased construction near the coral reefs of both John Pennekamp State Underwater Park and the Key Largo Coral Reef National Marine Sanctuary.

Last year's congressional consideration of the implementation of this program clearly demonstrated continuing congressional desire that the program advance in a sound fashion. NOAA's proposed budget will make the fulfillment of the program's congressionally mandated objectives impossible. The National Marine Sanctuary Program is more than just management and regulations; it is also research and education. NOAA's proposed budget may insure the former, but at the expense of the latter. We therefore urge that appropriations for the National Marine Sanctuary Program be set at the level authorized by Congress.

In addition, we ask that the Committee direct the Commerce Department to place the proposed Monterey Bay National Marine Sanctuary back under active consideration. This proposal was dropped from further consideration on 20 December 1983 (48 FR 56252) without any opportunity for public comment and in violation of the program's regulations regarding active candidates (15 CFR 922.31). This site has received favorable support in the past and is the only west coast site including a submarine canyon — indeed, the west coast's largest submarine canyon — which the program might conceivably consider in the foreseeable future. No such site is included on the Site Evaluation List which is to serve as the pool from which sanctuary proposals are to be drawn in the future.

3. Habitat Conservation: NOAA proposes eliminating 72 positions and $4.543 million in funding for research regarding the health and productivity of marine habitat important to commercially valuable fish and other wildlife, including a number of endangered and threatened species. NOAA also proposes eliminating 75 positions and $5.8 million in regional and ocean dumping research as well as $300,000 in the Chesapeake Bay studies program. Finally, NOAA proposes elimination of 16 positions and $1.424 million in funding for habitat conservation.

   These cuts, together with the cuts proposed for fisheries management, have been proposed before and proposed with equally facile supporting arguments. At stake in these cuts is the continued viability of habitat crucial for commercial and recreational fisheries and threatened and endangered wildlife. There has been no decrease in human activities which may jeopardize the continued health of marine habitats, nor has there been any remarkable increase in our ability to predict the impact of human activities on the health and long-term productivity of such habitats. We urge that funding for these programs be restored at least to their base levels.

4. Marine Mammals and Protected Species: NOAA proposes reducing funding for protected species biology by $1.18 million during FY85.

   Sea Turtles: Specifically, NOAA proposes reducing funding for field trials of the turtle excluder device (TED). As the result of past research and cooperation with the shrimp fishing industry, NOAA has been able to identify significant design obstacles to the voluntary adoption of TED by the U.S. shrimp fishing industry. For instance, new, untested designs may solve problems experienced with the weight and shape of the TED and may also lead to adaptations that will reduce the by-catch of finfish in the Gulf of Mexico, which is itself a considerable problem. Failure to test these designs thoroughly will jeopardize the adoption of the TED by the U.S. shrimp fishery at a time of increasing interest in the TED. A major breakthrough in resolving a conflict with endangered species of sea turtles will thus be frustrated after several years of cooperation among government, industry, and the conservation community. Likewise, research is still required on the offshore distribution of sea turtles if any progress is to be made in determining population levels and areas where human activities may adversely affect the recovery of endangered and threatened populations of sea turtles. We are particularly concerned that better information needs to be developed regarding the distribution of Kemp's ridleys in the Gulf of Mexico. As it is, the cooperative efforts of the U.S. and Mexican governments to increase the number of hatchling Kemp's ridleys leaving this species' only nesting beach are being nullified by the incidental drowning of these animals in shrimp trawls in the Gulf of Mexico and the Bay of Campeche. If this threat is to be addressed in a substantive fashion, we need to know other aggregating areas of Kemp's ridleys. With the required information, a sound conservation plan can be devised.

In this connection, we urge the Committee to direct the Department of Commerce to issue regulations implementing Section 10(a) of the Endangered Species Act within 90 days. This Section, which was part of the 1982 amendments to the Act, provides a valuable means for developing conservation plans for Kemp's ridleys and for relieving Gulf shrimp fishermen of the presumption that the capture of any Kemp's ridley is a violation of the Act. Quite simply, issuance of these regulations will allow for consideration of a new approach to resolving the conflict between the recovery of the Kemp's ridley and commercial shrimp fishing.

Bowhead Whales: NOAA proposes reducing research on bowhead whales by $350,000. The continuation of research on this endangered species is paramount if management of the hunt conducted by Alaskan Eskimos is to be realistic and founded upon solid scientific information. NOAA's proposed cuts would reduce by more than 50 percent the budget necessary to conduct those activities identified as research priorities. As you know, the bowhead is a highly endangered species and the bowhead hunt is highly controversial. Last year, the Commerce Department adopted a position that many conservationists and the International Whaling Commission (IWC) felt was untenable according to what is known about the biology of the species. If we are to provide a level of protection that will foster the bowhead's recovery, then much more knowledge about its biology is needed, knowledge that cannot be obtained without adequate funding. We urge that your committee seek to restore the $350,000 that NOAA proposes to cut.

Dall's Porpoise: NOAA also proposes to cut $150,000 in support of research on Dall's porpoise stock identification and the IWC observer program, which includes a U.S. observer in Japan. $100,000 of these funds will come out of the Dall's porpoise research program. In December 1982, the general permit authorizing the take of Dall's porpoises was amended so that the permit would be extended until 1987, providing certain conditions were met. These conditions include "adequate funding each year to carry out fully a joint research program on Dall's porpoise." A reduction of funding of the proposed magnitude will substantially impair our ability to monitor the incidental take of Dall's porpoises, seabirds, and other marine mammals in the Japanese salmon gillnet fishery. For these reasons, we recommend restoring NOAA funding for Dall's porpoise research.

IWC Observer: With regard to the IWC observer in Japan, there is now only one NOAA observer monitoring all shore-based whaling operations in Japan. Even with the existing observer, coverage is inadequate to ensure compliance with IWC regulations. There has never been any observation of the coastal Minke whale operations in Japan. Continued observation is especially important at this time. First, Japan has strongly objected to the vote by the IWC and its Scientific Committee that the sperm whale population that Japan hunts should be protected. Monitoring of Japanese coastal whaling is critical to ensure that Japan complies with IWC regulations regarding sperm whales. Second, because the Philippines has recently begun whaling on the same population of Bryde's whales as Japan, there is growing conflict between these two countries about how the quota should be divided up. No agreement has yet been reached, and the quota has already been exceeded this year. It is important that an observer continue to monitor the level of take by Japan from this population. For these reasons, we recommend restoring funding for the NOAA observer in Japan.

Hawaiian Monk Seal: NOAA proposes to cut $150,000 in funding for research on Hawaiian monk seals. This amounts to a 50 percent reduction in funding for the Hawaiian monk seal program from FY84 levels (funding was as high as $400,000 in FY82). With the possible exception of the California sea otter, the Hawaiian monk seal is the most critically endangered marine mammal in U.S. waters, numbering from 750 to 1,500 animals. The budget as proposed would result in the elimination of almost all field work on the species. The knowledge which is beginning to be gained from field studies, such as that concerning pup survival rates, is essential to the recovery of the species. Also lost would be the ability to identify and recover any pups — the future of the species — which became orphaned before they were able to survive independently. We urge that Hawaiian monk seal research be funded at a level of $325,000 to enable the full execution of these important efforts.

The Committee should be aware also that two species, the Guadalupe fur seal and the Gulf of California harbor porpoise, are likely to be listed as endangered by the Department of Commerce in the near future. Funds to secure the recovery of these species should be available to the National Marine Fisheries Service.

5. Galveston Laboratory: NOAA proposes closing the Galveston fisheries laboratory. We object to this proposed closing and the consequent termination of, among other projects, a six-year effort to refine and test an experimental technique for aiding the recovery of Kemp's ridley sea turtles. This project was the result of a meeting between the U.S. Fish and Wildlife Service, the National Marine Fisheries Service, the Texas Wildlife and Parks Department, and the Mexican government in 1977. The Fish and Wildlife Service and the Mexican Fisheries Department agreed to undertake protection of the nesting effort of Kemp's ridleys at their sole major nesting beach at Rancho Nuevo, Tamaulipas, Mexico. NOAA agreed to test raising Kemp's ridley hatchlings to one year of age, at which time these animals would stand a much better chance of avoiding predation in the water. In the intervening years, the Galveston laboratory has gained valuable experience in rearing this endangered species and has succeeded in releasing nearly 8,000 Kemp's ridleys. If NOAA is to maintain its contribution to these cooperative efforts, the Galveston laboratory must continue its headstarting program. Because of the long maturation time for Kemp's ridleys, it is imperative that the program continue for at least ten years.

For this reason, we urge that the Committee approve an additional $275,000 in funding of NOAA's protected species biology program during FY85 for the purposes of supporting the Galveston laboratory's headstarting of Kemp's ridley sea turtles.

We wish to close by requesting the Committee's assistance regarding certain aspects of the budget of the Fish and Wildlife Service.

First of all, we urge the Committee to direct the Department of the Interior to renew two sea turtle hatchery projects for an additional five years. The project in Michoacan, Mexico, conducted with funding from the Fish and Wildlife Service as well as private sources, has made considerable strides in the last year in insuring the continued commitment of local people and the Mexican government to conserving the Pacific green sea turtles nesting along the Michoacan coast. This population is extremely endangered and the cooperative efforts of the U.S. government should not be ended until the population shows signs of recovery.

The second project, which is directed at olive ridleys nesting on Playa Nancite in Costa Rica, should also be renewed for five years rather than terminated at the end of FY85. Olive ridleys are the most heavily exploited of all sea turtle species. Playa Nancite is the only major nesting beach in the world where such exploitation does not take place. In cooperation with the government of Costa Rica, project personnel have been able to gather unbiased biological data that will aid substantially in modelling recovery plans for this species. Due to the biology of the species, however, such projects must be carried on over a period of years.

Finally, we urge the Committee to recommend an additional allocation of $25,000 to the Fish and Wildlife Service's sea turtle budget in order to initiate a cooperative project directed at protecting the nesting of hawksbill sea turtles in Campeche, Mexico. The beaches here host the only known large nesting effort by the severely endangered hawksbill in the world. Unfortunately, nearly every egg and every nesting animal is taken from the beach. CEE plans to support initial efforts to protect this nesting effort in cooperation with the Fish and Wildlife Service and the Mexican government during 1984. However, it is clear that an expanded effort will have to be undertaken in the coming years. Because the information regarding this particular beach became available so late, we understand, the Fish and Wildlife Service was not able to incorporate into its budget request. For these reasons, we ask that the Committee recommend an increase of $25,000 in the Fish and Wildlife Service for the purposes of initiating a cooperative conservation program for the hawksbill sea turtle in Campeche, Mexico.

We wish to thank you for considering our views on these matters.

Sincerely,

Michael Weber

Michael Weber
Marine Habitat Director

HELP ENDANGERED ANIMALS
RIDLEY TURTLES

PREPARED STATEMENT OF CAROLE H. ALLEN

CHAIRMAN

HELP ENDANGERED ANIMALS-RIDLEY TURTLES) HEART

HEART (Help Endangered Animals-Ridley Turtles) thanks you for the opportunity to comment on the proposed Fiscal Year 1985 budget of the National Marine Fisheries Service of the Department of Commerce. We ask that our comments be inserted into the record of the March 5, 1984 hearing regarding this matter. We also ask that the enclosed copies about HEART and our activities be inserted into the record.

We first want to thank you and your committee for the work done last year which resulted in a continuation of the "headstarting" project of the Kemp's ridley sea turtle at the Galveston, Texas, laboratory of the National Marine Fisheries Service. Clearly you are concerned with the environment and endangered species. HEART has worked hard this past year with the result that hundreds more people have visited the Galveston Laboratory and seen the turtles and thousands have heard about them on national television. The message we continue to get from the students, teachers, parents and concerned citizens we hear from is "We need to keep this project going."

As a matter of review, the "headstarting" program of the National Marine Fisheries is a vital part of the team effort going on to save the most critically endangered sea turtle, the Kemp's ridley. As a result of cooperation with the government and scientists of Mexico, the U. S. Fish and Wildlife Service bring about 2000 sea turtle eggs from the only nesting site of the turtles at Rancho Nuevo, Mexico, to our National Seashore at Corpus Christi, Texas, each summer. Here, the National Park Service staff incubates the eggs and attempts to "imprint" the baby turtles on the beach there with the hope that when they are mature, they will return there to nest and establish a much-needed second nesting beach. This second site would be a tremendous victory in the program to insure the preservation of this dwindling species.

Next, the baby turtles are brought to the National Marine Fisheries Lab at Galveston where they are raised until they are strong young turtles about two pounds in weight and ready for release into the wild. Since they are no longer tiny and fragile at release, their survival rate is high and recaptures show the "headstarted" turtles are doing fine. The staff at the Galveston Laboratory knows how to raise ridley sea turtles and since we are only halfway through the initial agreement period of ten years with Mexico, it is important that no changes be made that would upset this smoothly running operation. We may be suffering from a case of "Pollyanna" attitudes, but we of HEART want our government and its agencies to follow through on committments made with other countries whether it be regarding people, materials, or sea turtles. Here in Texas we are constantly hearing of problems with Mexican illegal aliens and it's good to have a program to refer to that works well with our southern neighbor.

I wish you and your committee could have witnessed the releasing of over 1300 yearling ridley sea turtles last June 7 as I did from the Coast Guard cutter Point Baker near Corpus Christi. Everyone involved in the operation from the press and television people to the men loading the turtles' boxes on board felt good about a program replenishing the ridley population. We all felt good that those in charge of federal funds see to it that this program is taken care of.

Turtle philospphy says, "You don't get anywhere if you don't stick your neck out," and that is just what HEART is doing. The ridley recovery and headstart program is a good one and we are willing to stick our necks out to promote it and those who make it work. We now have a certificate program so that teachers and classes may learn more about the turtles and this program.

Since your budget meetings of last year, HEART has been "adopted" by the North Harris County College's Piney Woods Wildlife Society with a membership of over 200 people who assist. Our activities are endorsed by the Board of Trustees of the College. On March 3, 1984, HEART will participate in a Marine Education Symposium at Texas A & M University at College Station. Our last "Open House' at the Galveston Laboratory on February 11, 1984 brought over 300 people from a 100 mile radius of Galveston to see the turtles. The interest of the visitors is keen. On Sunday, March 4, 1984, I will appear on KPRC-TV, Channel 2, Houston, on the "For the Public" program with a show taped at the Galveston Laboratory with the turtles.

This summer 700,000 young readers of Ranger Rick's Nature Magazine will be given the opportunity to sponsor the food for a ridley hatchling. They will also read about the "headstart" program at Galveston and become aware of the concern of those in government for an endangered animal.

Following up the Administration's request that the public sector become involved and try to pick up some of the bills government is faced with HEART is happy to say that hundreds of children and people around the country have contributed enough money to buy the two tons of turtle food for the hatchlings that will be coming up from Mexico via Corpus Christi this summer. For each contribution we receive, we place a small red heart on a display board in the Turtle House at Galveston. The children at Oak Creek Elementary near Houston have sponsored a hatchling for President Reagan and one for Vice-President Bush.
We hope that interest and funds derived from the magazine article mentioned above will allow HEART to pick up the tab for not only the food for the hatchlings but perhaps some equipment or materials needed at the Galveston Laboratory.

The point of my comments is that although this program is small compared to matters of defense and social programs, it is widely supported and it restores for many the belief that those who allocate funds have read or sung the words, "His eye is on the sparrow." The exploitation and devastation of the Kemp's ridley sea turtle that began years ago because of ignorance and poverty of those who preyed upon the turtle can be reversed. Effective work has been done by dedicated scientists in both the United States and Mexico made possible by the work done by your committee.

Progress has been made to halt the slow but sure march of the Kemp's ridley sea turtle toward extinction. "Changing horses in midstream" has proven risky and we HEART members and supporters urge you to again fund the Kemp's ridley sea turtle "headstart" program so that work at Galveston may continue smoothly. The facility there has been rebuilt from the damage done by Hurricane Alicia. We're all waiting for a "go" signal from you.

The Houston Post
Sun., Feb. 13, 1983

Concerned children turn from armadillos to threatened turtles

By TERESA BYRNE-DODGE
Post Reporter

Recent letters received by the president of the United States, postmarked Houston, carried these messages:

Dear President Reagan,
I am Amy Weaver from Oak Creek Elementary School. We in third and fourth are studying about the ridley turtle. How can we help them? Please write back when you have time. Tell Mrs. Reagan I said, "Hi!"
Your follower,
Amy Weaver

Dear President Reagan,
Will you help us third graders keep the ridley turtle alive? It has a lot of enemies in this time. When the ridley turtle is hatched the birds and crabs eat the ridley turtle. The most dangerous enemy is man. The men dig the eggs up and they sell them to people and they eat them.
Love,
Jason Battelle

Dear President Reagan,
In Oak Creek Elementary we are starting a council to help save the ridley turtle. The reason I am writing is so that maybe you could help by asking people to help save the ridley. I am in the fourth grade, third grade is also helping, but that's still not enough. Please help.
Yours truly,
Kristy Massey

Youngsters at the Oak Creek Elementary School, north of FM 1960 near Steubner-Airline, have taken up the cause of the Kemp's ridley turtle. And for this remarkable but much-abused heart-shaped sea turtle, named for 19th-century biologist Richard Kemp, it's a valentine that is long overdue.

Six years ago, the students, faculty, principal Pat Reynolds and several interested parents formed the King Oak Nature Club at the school. Carole Allen, the parent coordinator of the club, has since led kids in a successful crusade for the armadillo and now hopes to rescue the ridley.

Last month some 30 young students formed a council called Help Endangered Animals — Ridley Turtles. HEART's purpose is to give students the opportunity to learn about the international program to re-establish the Kemp's ridley turtle, which is currently the most endangered of the marine turtle species. It also will give the kids a chance to stretch their political muscle and, perhaps, develop friendships with Mexican school children.

ALTHOUGH THE ADULT TURTLES *(Lepidochelys kempi)* roam the Gulf of Mexico and all over the Atlantic, female ridleys always return to the same short beach in Rancho Nuevo in Mexico to lay their eggs. In the 1940s, when the ridleys' breeding ground was first discovered by the outside world, 40,000 females came ashore to lay eggs every year. Today, fewer than 500 come ashore. Their sole nesting grounds have made them easy targets for plunder by humans (some believe turtle eggs are an aphrodisiac) and natural predators, including birds and crabs. In 1966, Mexican national guardsmen began patrolling the beach to protect the turtles from the human poachers who once loaded the eggs by the ton into trucks to sell at market.

Since 1978, the National Marine Fisheries Service, in cooperation with the Mexican government, as well as the U.S. Fish and Wildlife Service, Texas Parks and Wildlife Department and the National Parks Service, has worked on an experimental project to save the ridleys from extinction.

Several hundred turtle eggs are collected in the early summer at Rancho Nuevo, which is about 200 miles south of Brownsville, when the huge female turtles drag themselves out of the sea to lay their eggs. The clutches of eggs, as they're called, are then moved to the Padre Island National Seashore for incubation (about two months), hatching and "imprinting" briefly in the sand; the newborns also get a baptismal swim at the water's edge. They are then scooped up with nets for transporting to the NMFS's laboratory in Galveston.

IN GALVESTON THE TINY hatchlings, which are about the size of a quarter, are carefully nurtured — or "head started" — for a year. The 1,500 babies live in individual buckets and are fed vitamin-enriched turtle pellets. By the time they are released back into the ocean a year later, the turtles are the size of a small dinner plate and weigh 500 times what they did when they were first hatched. This year's current crop boasts a 95 percent survival rate so far, says Dr. Edward Klima, director of the Galveston lab. In the wild, only 1 percent of the babies would live to be a year old.

The program is only experimental, emphasizes Klima, but it may prove to be the key by which to save the ridley. The success or failure of these efforts will become apparent a few years down the road when the kids of Oak Creek Elementary are entering high school and the mature turtles return to a beach to breed. Will it be the Padre Island beach, or will they return to Mexico? Or will they live long enough to breed at all?

In Galveston, HEART members visit head-started turtles

— Post photo by Teresa-Byrne Dodge

FISHING NETS AND POLLUTION are two more dangers the turtles encounter in the wild. "They love to eat little oil globules — tar balls," says Klima, "which can do much harm. We're keeping a brood stock in case everything falls apart."

He explains that in addition to the hundreds of head-started turtles that have been tagged and released every summer for the past three years, 50 more turtles are being raised in captivity in aquariums around the country, including Galveston's Sea-Arama, just in case the ridleys are already too decimated to make a comeback.

Klima originally was a shrimp specialist who studied marine biology from the food-resource angle. Now his heart is in preserving the ridley turtles. "As a concerned biologist, you can't help not knowing what's going on," he says, referring to the species' fight for life.

UNFORTUNATELY, REAGANOMICS has hit the turtle project hard, and future funding and staffing for the project are uncertain. Club leader Allen and the Oak Creek kids hope that as a result of their metal can recycling and other fund-raising additional funds might be donated through the HEART program to be used to purchase food pellets — the students learned that a year's supply of food pellets for one turtle costs $4 — or for further research, such as growth studies, behavior investigations, microbiological and pathological research.

Students at Oak Creek were also responsible for spearheading the effort to have the nine-banded armadillo named Texas' state mascot. It took three years, thousands of schoolchildren's efforts and many disappointments.

The original resolution, introduced to the House by state Rep. Don Henderson of Houston, was approved by the House but voted down by the Senate — twice. However, Sen. Jack Ogg of Houston, also an armadillo fan, was elected leader of the Senate. When, as is traditional for the Senate leader, he was governor for a day on Oct. 3, 1981, he promptly proclaimed the armadillo the official state mascot, thereby delighting thousands of armadillo-loving Texans.

BESIDES PARTICIPATING in a program to bring a species back from the brink of extinction, the young members of HEART are learning a good lesson in grassroots government as they lobby on behalf of the ridley.

U.S. Rep. Jack Brooks, whose district includes Galveston, is the ridley turtles' advocate in Washington, D.C. The children at Oak Creek have written him, as well as President Reagan, asking for moral and funding support for the turtle.

"If people don't care, there's no way we'll keep the turtles from extinction," says fifth-grade student Marcel Meyer, president of the school's HEART turtle council. And if man continues to turn away from the problems he's created, "pretty soon we won't have a population of animals at all." Fourth-grader Melissa Ungerleider believes "other kids should start caring and try to get the adults not to kill (the ridleys)."

ALLEN, WHO NURSES INJURED turtles and describes her home as "a kind of half-way house for turtles caught in suburban building," is currently working to set up a pen-pal program between the HEART kids here in Houston and Mexican schoolchildren who live near Rancho Nuevo. She hopes that kids with a common interest will become adults with common interests.

The King Oak Nature Club has more than 600 student members and 97 adult helpers. Each grade has its own chapter and its own name and activities. The Little Critters, for example, are the 85 kindergarteners; the Busy Beavers are the fourth-graders. The club members recently finished a nature trail across the street from their school in a wooded area; it features two outdoor classrooms with log stumps for seats. They also started a nature library in their school with books, magazines and exhibits, which they named for Dan A. Hoover, an Illinois native who wrote a number of stories for Ranger Rick's Nature Magazine over the years. "We have these kids tuned into nature," says Allen.

About 30 kids are members of the ridley turtle council that organizes turtle-related projects. They are currently applying for non-profit status through the Internal Revenue Service so that they can collect money for the ridleys. In the meantime, money from their fund-raising is being held in trust.

A GOOD PRIMER TO LEARN about the ridley turtle and the Mexican-American project is *The Heartbreak Turtle*, an hour-long television program made for PBS by local producer Mim Korshak. It tells the tale of this "most endangered of all endangered species," the distinction awarded to the ridleys in 1968 by the International Union for the Conservation of Nature. The program is scheduled to be rebroadcast on Sunday, March 20, on Channel 8.

Those interested in finding out more about the Oak Creek HEART Turtle Council may write HEART, P.O. Box 681231, Houston, 77268-1231.

Help endangered animals - Ridley turtles

School children of the Houston area are interested in all kinds of animals including endangered sea turtles. Last year, students at Oak Creek Elementary in Spring Independent School District learned about the Kemp's ridley sea turtle and formed HEART (Help Endangered Animals - Ridley Turtles) to see what they could do to help.

The Kemp's ridley, which is the most endangered of all the sea turtles, nests on only one beach in Mexico. Each spring with the cooperation of the government of Mexico, a number of turtle eggs are brought from their beach to the National Seashore at Corpus Christi for hatching. Then the tiny turtles are raised to larger, stronger turtles at the National Marine Fisheries Service Laboratory at Galveston. They are released into the Gulf each year and it is hoped that when these turtles are mature and ready to nest that they will return to establish a new nesting beach at Corpus Christi.

The children of Oak Creek took a field trip to the laboratory at Galveston and saw all the turtles. They learned that $4.00 will buy a year's supply of food for a hatching ridley and started recycling aluminum cans for money for the turtles. Everyone who supports a hatching gets their name on a small red heart that is placed in the "Turtle House" at Galveston.

The Piney Woods Wildlife Society, a nature club at North Harris County College, "adopted" the HEART organization and now offers a certificate to teachers and classes who form HEART Councils at their schools. Requirements for forming a Council include viewing a film "The Heartbreak Turtle" which is available from all Education Service Centers in Texas, writing to U.S. Representatives and Senators in Washington to express support for the project at Galveston, and supporting the turtle food for five baby sea turtles. More information is available by writing to HEART of PWWS, Post Office Box 681231, Houston, Texas, 77268-1231. Two Houston-area veterinarians serve on the advisory committee of HEART: Dr. Roy Cruzen of the Steeplechase Animal Hospital, and Dr. Peter Cragg of the Oak Ridge North Animal Clinic.

INTERNATIONAL DEVELOPMENT INSTITUTE

PREPARED STATEMENT

The International Development Institute (IDI) herewith requests a one-time only start-up funding of either a $5 Million matching grant or a $10 Million government loan to develop a trade, research and education center devoted to expand U.S. participation in the world market and devoted to overseas development in the private sector. These funds will be matched with $240 Million of private sector capital over the first five years.

Designed to be self-funding once in operation, the Institute will begin monthly conferences on overseas development this October covering twelve major subjects each year.

Academians, government and industry leaders from the 167 countries will be invited to learn the latest appropriate technology in their field of activity. They will see it demonstrated in full scale applied research projects presented in cooperation with Land Grant Colleges and other research institutions. They will then be able to make their buying decisions with current knowledge on how best to meet their needs at the TRADEXPO - U.S. Trade Center.

The IDI and the TRADEXPO U.S. Trade Center is designed to benefit the whole country and will permit U.S. exporters of goods, services and projects to meet representatives from each of the 167 countries in one convenient location and to negotiate agreements to serve the need of the world market and to reduce dependency by making overseas communities self-sufficient and part of the world economy.

Mr. Chairman and Members of the Committee. I am Dr. Peter Nelsen, an economist and Chairman of the International Development Institute (IDI).

We appreciate this opportunity to submit testimony for the record regarding the FY '85 Appropriation for Foreign Operations.

IDI is a non-profit research and educational institute dedicated to expansion of U.S. exports and the transfer of appropriate technology to improve the quality of life in developed and less developed countries.

IDI was the first organization to register under the new Export Trading Company Act and has developed a system to meet the needs of both U.S. exporters and overseas buyers who desire U.S. products, services and whole development projects and who prefer to fill their needs in the private sector, wherever possible, company to company, instead of company to government to government to company.

Overseas development has in the past been initiated by large multinational companies doing very large projects and on the other end of the scale by AID and the Peace Corps teaching a farmer how to survive on one acre of land.

In between, there is a need and an opportunity for thousands of small to medium scale projects in Third World countries where the local infrastructure or the local population can only support the small to medium scale project, but where such projects would permit the local communities to become self-sufficient and earn the foreign exchange to enter the world market and become trading partners of the United States.

The Senate Small Business Committee last year performed a study of why small business was not entering the export market. An analysis of the 1200 reponses obtained, indicated that 87% of the problems perceived by the companies would be solved by IDI's services if the companies participated in the TRADEXPO export enter that IDI has designed.

The idea came from the Commerce Department where a speaker from their ITA said, "We need a permanent year round trade center where the foreign buyer who comes here can find all the products and services he needs in one place instead of searching all over the country."

This basic idea has been developed over the last six years into an educational center which will present twelve annual seminars on the major aspects of development technology, presenting once a year the latest technology in each category of appropriate technology. Secondly, an applied research center which will test and demonstrate in applied research projects the latest research from the major land grant universities and other research institutions and, thirdly, a trade center where academians, government and industry officials can, after learning the latest information, then seeing it demonstrated, can then purchase the products and services they need with a better knowledge of the opportunities available to meet their needs.

The Congressional Research Service concluded in a report on TRADEXPO on February 15, 1983, that it "would act as a giant magnet, attracting buyers, exporters and potential exporters to Washington. Users of TRADEXPO could learn about specific products and trade related issues. They could view exhibitions, revive old contacts and initiate new ones."

Located in Washington with appropriate sections thereof in nearby Virginia and Maryland, the center is designed to serve the whole United States so that foreign buyers can come here first and see what they need and then make their travel plans to visit the participating companies throughout the United States.

The greatest benefit will be for project development where an entire set of services can be contracted for in one place from feasibility studies to construction of a complete turnkey project to management and training services and continuing extension services. It will benefit both the customer and subsequent customers by logging the experience and analytical evaluation into IDI's data base information system.

Research and transfer of appropriate technology to improve overseas agricultural production present great opportunities for American enterprises to prosper on a contract or joint venture basis. Moreover, improvement in overseas productivity has historically led to a subsequent increase in the export of U.S. products and services.

For example, when we set up a poultry operation overseas, we create an ongoing market for American feed grains; equipment such as egg hatchers, baby chicks, egg cartons, poultry processing components; and the like. The same scenario applies to many other industries.

The major growth potential for U.S. export lies in Third World markets, where more than 150,000 U.S. companies have export capabilities, but only a small percentage of these companies are able to take advantage of the opportunties. We believe developing this potential through the Institute's trade and development programs would significantly reduce our foreign trade deficit.

We anticipate that 700 acres dedicated to the project at the beginning would soon expand to 3000 acres, and that within five years we would have 5000 exhibitors.

The present trade deficit of approximately $110 billion is a greater threat to U.S. economic stability than the deficit in the FY '85. It is in fact an indirect tax on the U.S. population and as great a hazard to future productivity.

IDI has had an application pending for three years with the Economic Development Administration (EDA) for a one-time start-up loan of $10 million or a $5 million matching grant. We urge you to facilitate this allocation so that IDI can help expand our exports and help balance the foreign trade account and improve U.S. productivity and employment.

Alternatively, the intent of Congress in our case was reflected when the Export-Import Bank bill included a paragraph directing the bank to make loans to Export Trading Companies. As the first organization to be certified under the ETC Act, we applied but so far the Ex-Im Bank has not cooperated in our request and for this and other reasons the Export Trading Company Act has not even begun to reach its intended purpose and potential.

A copy of the statement of Senator Huddleston that appeared in the Congressional Record last month which describes the project in detail is attached.

Excerpt From the CONGRESSIONAL RECORD

Vol. 130 WASHINGTON, TUESDAY, MARCH 6, 1984 No. 25

ADDITIONAL STATEMENTS

A NEW IDEA TO PROMOTE U.S. EXPORTS

• Mr. **HUDDLESTON**. Mr. President, I would like to call to the attention of my colleagues the new International Development Institute (IDI) and TradExpo, the U.S. International Trade Center, which together, after 7 years of research and design, are scheduled to open by the end of 1984.

The IDI and TradExpo concept form a new and innovative system to increase U.S. exports and overseas development in the private sector. It is particularly designed to help small and medium size companies to enter the export market and to give all American enterprise access to markets in 170 countries with a year round world trade center, educational center and research center.

The health of our economy is a primary concern to the welfare of the American people. If our economic health is to be maintained, we must make progress toward increasing seriously lagging exports from the United States and participating more competitively in the global marketplace.

There appears to be no argument with the assertion that vigorous U.S. exporting is desirable. One out of every eight jobs, says the Commerce Department, depends directly on exports. America's foremost comparative advantage, agricultural products, accounts for $2 out of every $5 worth of our exported goods, and comprises a large and vital part of the American farmer's income. Our exports are also crucial, in financing the purchase of ores and oil, which we cannot produce in the amounts we need. We are firmly locked into export trade as a determinant of our national well-being.

There is further consensus that our exporting income is rapidly spiraling downward. Our share of the world market has fallen from 23 to 14 percent over the past two decades, contributing to the huge trade deficit projected for 1983, topping $69 billion and resulting in 40 percent of the increase in unemployment. American farm exports have declined from a high in fiscal year 1979 of $43.8 to fiscal year 1983's $34.5 billion, a 21-plus percent plunge.

Informed opinion is even confluent about what has caused our waning overseas sales:

A worldwide recession that moderated demand while price supports and other factors kept production high;

A musclebound dollar which overpriced our goods and services in world markets;

Economic advantage taken by other countries, especially in Japan and Europe, by means of protectionist policies; and

The perception elsewhere that the United States is an unreliable supplier, given past policies that attempted to use trade as a political lever.

SOLUTION

Where thinking diverges, however, is in deciding upon a proper course of action to remedy this bad situation, which is growing steadily worse. Recent Federal response has been to provide limited governmental assistance while attempting to create an improved trading climate by subduing inflation, negotiating away protectionist policies, and instituting long-term guarantees that rule out the use of trade as an international nightstick. Beyond that, Federal officials insist that export business should be stimulated primarily through private initiative, and we agree.

In hearing before the House Agriculture Committee in February 1978, Dr. Peter Nelsen, chairman of the International Development Institute and the Agricultural Trade Council, said to those present that America needs improved marketing and production techniques to first balance foreign trade, second, stabilize our farm economy, third, decrease unemployment, and fourth, use our production potential to allay the hunger of the world. These problems are still with us and, despite efforts to solve them, some have grown worse than they were when IDI and TradExpo were proposed 7 years ago. We must awaken to the reality of these problems, understanding that not to decide is, indeed, to decide.

It was from the need for greater foreign sales efficiency that a new approach, operating in the private sector, was developed to meet all the needs of suppliers and buyers in export trade. The system that has been proposed as part of the solution to our shrinking presence in world markets is composed of two complementary, noprofit corporations: the U.S. International Trade Center (to be called TradExpo) and the International Development Institute (IDI).

HOW TRADEXPO AND IDI FUNCTION

TradExpo and IDI are designed to provide American businesses, which have an unrealized export potential, with an efficient, cost-effective way to reach foreign buyers. While trade centers are not a new idea, teaming a large, central and permanent trade exposition with educational and research services that draw informed customers and encourage interdisciplinary understanding is an innovative step that exceeds the scope of state or regional centers.

TradExpo, a private, nonprofit trading company, and the first to register as such under the Export Trading Company Act of 1982, will provide a direct and accessible link between American sellers and foreign buyers. It is anticipated that the year-round, permanent trade center will, at completion, have facilities in Washington and a nearby rural site for 5,000 businesses to display and demonstrate their goods and services to the 200,000 foreign shoppers who circulate through the capital area annually.

Expert, on-the-spot, up-to-the-minute informational services will be available at TradExpo, expediting the complex legal and financial arrangements that often impede foreign trade. Buyers can, therefore, make their purchases without confusion, delay or further travel. Exhibitors' fees at TradExpo will be modest and should be far more cost-effective than formerly existing means of penetrating foreign markets.

TradExpo will thus successfully address the needs of smaller businesses. These needs were stated, analyzed, and discussed in a 1982 report by the Senate Small Business Committee. As a member of that committee, I helped to initiate and draft this report. The report said that of nearly 1,200 surveyed firms, most said they were reluctant to export chiefly because they lacked the necessary specialized expertise, and/or their limited budgets were strained in meeting the high cost of reaching foreign buyers by traditional means. The report also pointed out that only 200 firms control 80 percent of America's exports, even though "20,000 small firms in this country have the potential to competitively and profitably market their products overseas. Clearly one of the greatest opportunities for reversing the no-growth trend in our Nation's exporting lies with tapping that potential and increasing the number of small business exporters." Analysis of the committee's report indicates that TradExpo facilities will help solve or alleviate 87 percent of the problems facing these potential exporters.

IDI, TradExpo's companion corporation, is also designed to meet informational needs of buyers and sellers. IDI is an educational and applied research institute that will form a link between what we learn each year about technological advancement and putting that knowledge to work.

IDI's Education Center will conduct monthly seminars on 12 major categories of technology affecting human needs: fisheries and oceanography, health, education, productivity, energy, forestry, transportation, agriculture, nutrition, communications, water, and housing. These seminars, open to TradExpo participants and invited guests from worldwide business, academic and, governmental communities, will keep world leaders abreast of the latest developments in their respective fields and provide a forum for interdisciplinary discussion. The education center will also offer graduate and undergraduate study programs, in cooperation with four Washington area universities, multilingual technical training programs, and nuts and bolts courses in exporting.

That such educational endeavors can create a multiplying effect on trade was among the points made by Nelson Denlinger of U.S. Wheat Associates, Inc., in a statement to the House Agricultural Committee this fall. Denlinger said:

> We have found that market educational programs have paid very large long-term dividends to U.S. wheat exports over the years.

Donald V. Earnshaw, Deputy Assistant Secretary of Export Development in the International Trade Administration, said in his testimony before the same committee that his organization had successfully carried out overseas conferences and seminars on the fundamentals of exporting to the great advantage of all participants.

IDI's Applied Research Center will, on request, suggest appropriate technological systems suitable for use in specific locations and test how well technology in place functions. It will keep an extensive data base, assuring that access to the most recent technological improvements is available. Perhaps the center's most important function, however, is carrying out demonstration projects either at IDI facilities or at onsite locations overseas, aimed at developing the infrastructure of Third World countries. These midsized projects could fill the gap between the small Peace Corps development efforts and huge aid projects undertaken by large businesses or governments. They will differ from most previous projects in a greater emphasis on followthrough; rather than carrying out a feasibility study, designing a solution, installing necessary equipment and considering the job finished, IDI's projects will consider technical training, management advice and project evaluation necessary before viewing a project as complete.

TradExpo and IDI will produce a wide range of positive change. Smaller companies will be able to begin selling internationally, and larger businesses can establish or expand existing overseas contacts. Direct transactions will be simplified, more efficient and hence, less costly. Rental of exhibit space at TradExpo is designed to be less expensive than participation in a series of regional trade shows.

Advantages to overseas buyers include the convenience of one-stop, anytime shopping; full comparison and demonstration of products; simplified transactions; and, access to the services of the education and research center.

The system also works toward solution of persistent Federal Government problems. A 10- to 12-percent increase in U.S. exports would reduce the trade deficit by 50 percent, increase GNP by 1.5 percent and provide hundreds of thousands of new jobs. TradExpo will also answer many of the loudly voiced needs of smaller businesses and create corporate and individual tax revenues without huge governmental expenditures. Finally, TradExpo will serve as an export stimulant without necessarily resorting to retaliatory measures in order to counter protectionist policies of many foreign nations.

Private citizens will gain from TradExpo's encouragement of economic growth, reduced necessity for foreign aid programs, diversity of available products resulting from the strength of smaller businesses, and the general stability of the world that follows active trade interdependence.

TRADE AND THE DEVELOPING WORLD

All countries, particularly Third World countries, at present require appropriate technology and services to show them how to best utilize their purchases. TradExpo and IDI can assume a large part of this challenge. If the United States does not satisfy world needs, other countries will reap the consequent benefits. American interest certainly lies in developing infrastructure and in establishing trade relationships with LDC's, resuming a leadership posture there before these huge potential markets become dominated by other, more aggressive nations. As Roger Asendorf of the American Soybean Association told the House Agriculture Committee this fall:

> ASA believes the Federal outlay for overseas market development for agricultural commodities is one of the U.S. Government's best investments in the future prosperity of not only agriculture, but the national as a whole.

In many areas of the world, basic needs are immediate and pressing. The times challenge the humanity of the world, for even though some 500 million people on this planet experience hunger and starvation, agricultural commodities are in surplus in a number of countries. A kink in the circulation of resources leaves some countries impoverished and hungry while others pile up unsold surpluses.

Overseas development projects, such as those available through IDI, will assist countries and people to develop the capacity to earn what they need. They will be able to turn labor to capital, and capital to the necessities of life and further improvement. As the capacity to import is developed in LDC's, the global distribution of agricultural products will improve, thereby reducing the problems of surpluses in producing countries and unmet demand in LDC's.

ACTION

Speaking for the Agricultural Trade Council before the House Agriculture Committee in February 1978, Dr. Nelsen said that if a fraction of expenditures for sudsidies and set-aside programs were spent on market development and the establishment of sound infrastructural bases for trade in LDC's, problems of the farm economy, of unemployment, of the trade deficit and of sluggish GNP growth would diminish. This fall, nearly 6 years and little action later, W. Glenn Tussey of the American Farm Bureau Federation posed the same question to the same committee: "We ask if we would not be further (sic) ahead 5 years from now in world markets if we were to shift a substantial portion of domestic farm expenditures to an effort that would make us truly competitive in world markets?"

Secretary of Agriculture John Block told the same Committee, "* * * the productive capacity of our farmers * * * must be supported * * * by domestic farm programs that facilitate export." Secretary Block offered no program, but insisted, "There must be a better way."

The better way may be through efforts such as TradExpo/IDI, which have been carefully examined and praised by business and academic leaders, Governors, officials in the executive branch, and Congress. It is an approach that will stimulate the economies of all 50 States, individually and collectively, even as it puts fresh knowledge to use and encourages the shift of developing countries from demeaned recipients of charity to friendly, self-sustaining trading partners. It is in the interests of both U.S. industry and Government to support this kind of innovative program.

Unlike most Government-funded aid programs, TradExpo and IDI will provide ongoing benefits, without the need for continued Government assistance.●

PREPARED STATEMENT OF RICHARD E. GUTTING, JR.
VICE PRESIDENT-GOVERNMENT RELATIONS
NATIONAL FISHERIES INSTITUTE

The National Fisheries Institute appreciates the opportunity to testify on the proposed FY 1985 fishery budget of the National Oceanic and Atmospheric Administration. We also appreciate the major efforts this Committee has made in the past to ensure that these programs receive the funds needed to manage and develop our nation's fishery resources.

The Institute is the largest and one of the oldest associations representing the U.S. fish and seafood industry. Our 1,300 members are involved in all facets of the industry, including harvesting, processing and marketing. We are concerned about the funding of NOAA's fishery programs because they are critical to the conservation and management of our country's fishery resources and the development of our industry.

GENERAL COMMENTS

The President said that one of the reasons he issued his proclamation declaring an Exclusive Economic Zone (EEZ) off our Nation's coasts was to reinforce his Administration's "policy of promoting the United States fishing industry." Despite this rhetoric, NOAA continues to call for the wholesale dismantling of the National Marine Fisheries Service, the closing or crippling of its fishery laboratories, the termination of the National Sea Grant Program, the lay up of our nation's fishery research fleet and the suspension of all state and industry fishery development programs. For the most part, NOAA's budget proposals for Fiscal Year 1985 are the same as those rejected by Congress in 1981, 1982 and 1983. It should not be surprising that the Institute believes these proposals should be rejected once again in 1984.

There are no new proposals to promote the United States fishing industry in NOAA's 1985 budget. Instead, several million dollars of new budget cuts have been added to NOAA's hit list. On this list now are all the items added by Congress last year, the remainder of NOAA's fishery development efforts and millions of dollars in hidden reductions buried in the budget report as so-called "adjustments to base".

The U.S. fishing industry contributes billions of dollars each year to our economy and provides hundreds of thousands of jobs. Our nation, however, still has vast fishery resources off its coasts which are being exploited by foreign fleets or left unused. Last year, these foreign fleets took home over a million metric tons of fish from our fisheries. Along with this fish went the tens of thousands of jobs associated with harvesting, processing, and marketing them. Our industry wants these to be American jobs. We want our fish to be made into American rather than foreign food products. To do this, NOAA needs to continue its investment in fishery science, management and development.

SPECIFIC COMMENTS

Fishery Science

NOAA offers 11 different proposals which would reduce or eliminate funding for a number of significant activities in the "Information Collection and Analysis" category. These activities involve biological studies, resource surveys, habitat investigations, studies of how oceanic conditions impact fishery resources and the collection and analysis of catch and effort information and other economic data concerning the fishing industry. Decreases totalling almost $20 million, out of a current budget of about $72 million, are proposed.

NOAA's budget report says that these decreases would involve the closing of 5 of the 22 major fishery laboratories of NOAA. The Institute believes this report grossly understates the impact of NOAA's budget proposal. Funding for the laboratory in Milford, CT, for example, would be reduced from $1,900,000 to $500,000. Funding is also drastically reduced for the laboratories in Sandy Hook, NJ, Beaufort, NC, Auk Bay, AK, and the facility in Portland, OR. These laboratories and several other installations would receive only token funding to keep them technically "open". For all practical purposes, they would be put out of business. Indeed, only a handful of fishery laboratories would be able to conduct any real research under the proposed NOAA budget.

NOAA's budget report also says that only 20 percent of the agency's fishery scientists and research staff would be terminated as part of the proposed reduction in scientific work. What the report fails to say is that most of the remaining funds have been used to pay the costs of keeping buildings "open" and to cover salaries to minimize the employment impact. Scientists, however, cannot conduct research without research funds. Our analysis of the budget suggests that many more scientists and researchers would have to be fired to leave the remaining people with even minimum funding to continue the scientific work of the agency.

Even if the facility and employment figures in NOAA's budget report gave you the true picture, they are troubling. Once highly skilled and experienced personnel are let go and research teams are disbanded, it is difficult and expensive to replace them. Once the collection of biological and harvest information is stopped, you destroy forever the ability of fishery scientists to assess trends and make it impossible for them to make sound predictions. Decades of work is destroyed. Yet, this is the likely impact of NOAA's proposals.

The loss of people and facilities is only part of the NOAA budget story. Many of the fishery scientists funded under NOAA's proposal would no longer be able to continue their research at sea, because NOAA's research fleet would be laid up. Sea days would be cut drastically even under the wildly optimistic projections of NOAA concerning vessel chartering. NOAA now both charters private vessels and operates its own vessels. Laying up NOAA's research fleet means that the scientific assessment of our fishery resources will depend solely on the availability of privately-owned vessels which may or may not be there when needed. It also disregards the need for consistent and reliable fishery data that comes from using the same research vessels year after year.

The Institute is dumbfounded by NOAA's proposal to dismantle its scientific efforts in fisheries. Harvesting fish at optimum levels requires accurate assessments of the stocks and predictions on what will happen in the future. Our industry depends upon the scientific advice and information generated by NOAA's fishery laboratories. If

NOAA scientists make a mistake, it can lead to overfishing or underfishing and the loss of millions of dollars to our industry.

Consider what has happened when scientific information was not available. The Georges Bank haddock fishery is a good example. During the period of 1930 to 1964, the fishery produced an annual domestic harvest of about 50,000 tons. In 1965 and 1966, an intense foreign fishery developed. The stock rapidly declined due to overfishing, and the average annual catch since the 1960's has been less than 10,000 tons. The total loss from the Georges Bank haddock fishery exceeded $400 million in ex-vessel value, and many times that in total contribution to the national economy.

A lack of good information can also lead to underfishing. Consider what occurred in the brown king crab fishery off Alaska. King crab management is based on the size of the crabs taken. Because fishery managers lacked good information on the size of brown king crab at sexual maturity, they set the size limit of 6 1/2" in carapace width based on experience with other king crab species -- a conservative size limit. The fleet found that fishing in certain productive areas was not economically feasible since the vast majority of crabs there was smaller than the minimum size limit. Later, NOAA scientists came up with data sufficient to determine the size at sexual maturity of brown king crab. This information provided the basis to lower the size limit from 6 1/2 to 5 1/2 inches in carapace width. Subsequently, the crab fishery has harvested 600,000 pounds of brown king crab worth $1.2 to $1.5 million in 1983 that would not have been harvested under earlier regulations.

A recent example of where fishery science led to new harvests is the pollock resource in the Gulf of Alaska. During groundfish surveys in 1980, NMFS scientists discovered large concentrations of pollock in the Shelikof Strait. This information was made available immediately to industry. Our fishing vessels initiated operations in 1981. Since then, U.S. harvests in the Shelikof area have increased rapidly with a projected catch of 210,000 tons in 1984 with a value to U.S. fishermen of around $22 million.

The value of scientific studies concerning the degradation of the marine environment is illustrated by the recent loss of $60 million in offshore shellfish resources due to eutrophication and reduced dissolved oxygen in the Mid-Atlantic Bight area. NMFS research on the effects of habitat degradation on fish production is necessary in order to make sound decisions to prevent future losses and mitigate those that have already occurred.

Fishery science also is critical to making the best use of those resources which are harvested. During the 1960's resource surveys indicated an extremely large standing crop of ocean quahog clams. At that time, the majority of the U.S. clam industry had little interest in the ocean quahog since there was an adequate supply of surf clams, and the ocean quahog was reputed to be tough and to have a strong "iodine" taste. In the mid-1970's, the abundance of surf clams was inadequate to supply public demand. As a result of research on processing and handling, the industry was able to develop the ocean quahog resource as a substitute.

Research in improved preservation techniques has produced major economic benefits. One research effort determined that pollock could be frozen, held at low temeprature and reprocessed without seriously altering functional and quality properties. This provided a basis for processors to develop and begin producing fish cakes and patties from Alaska pollock demonstrating that domestic utilization is feasible, resulting in sales of over $100,000 during the first year of production. The potential of expansion in this area is great. Increasing the per capita consumption by only 1/2-pound would have the effect of increasing domestic landings of pollock by 183,000 metric tons (less than 10% of the total pollock resource in Bering Sea and the Gulf of Alaska) for a total potential value of $100 million annually.

In another project, researchers developed improved methods for handling and packaging fresh trout in modified atmospheres to extend their refrigeration shelf life by 50%. This method permits trout growers to maintain market prices for quality fish. Trout growers are using the technique to ship fresh fish to midwestern and east coast markets. With added experience, the potential benefits of the modified atmosphere shipping technique to domestic trout and salmon growers is estimated to be about $9.6 million annually.

NOAA's proposed crippling of fishery science does not stop with its laboratories. Once again, NOAA proposes to cut the Sea Grant program. This is the program which helps bring the scientific and technical expertise in our colleges and universities to bear on the problems facing our fisheries. This program directly supports our industry's productivity and efficiency.

The many individual cuts to fishery research and monitoring activities, the fishery research fleet and the Sea Grant Program add up to the dismantling of a scientific effort to monitor and report on the condition of our fishery resources that has been underway for more than 100 years. These proposals would cripple federal and state efforts to manage these resources, and leave our industry without a sound scientific basis to operate. They should be rejected.

Fishery Management

Harvests must be controlled when necesary to prevent overfishing and to ensure that maximum benefits are derived from our fishery resources. The Institute believes that adequate public funding must be provided for these efforts.

The flexibility and responsiveness needed in fishery management is largely due to the regional nature of fishery regulations and the cooperation and participation of industry and state agencies in management decisions. This management system, howegver, is threatened by the proposed termination or reduction of support for state fishery programs and the Regional Fishery Management Councils. This funding should be restored.

Fishery Development

The Institute supports the continued use of receipts from the Saltonstall-Kennedy Act for fishery development. Since the 1950's import duties on fishery products have been used for development, marketing and scientific research. Development projects funded with these receipts have accelerated the growth of our industry and should be continued. An example is the national marketing program called "Catch America" which has introduced lesser known and inexpensive seafood to the American consumer. Other important efforts which should be continued involve work to reduce overseas trade barriers and reduce the regulatory burdens on industry. Another important component of the fishery development program is the research conducted by NOAA's three technological laboratories in Gloucester, MA, Seattle, WA, and Charleston, SC.

Under Title XI of the Merchant Marine Act, federal loan guarantees are available for financing the construction or reconstruction of fishing vessels and shoreside facilities. Thanks to administrative delays, shoreside fishery facilities have only recently been able to take advantage of this program. It is not surprising that the Administration has proposed to terminate all guarantees in its 1985 budget. The Institute opposes this proposal.

CONCLUSION

The Committee's consideration of our comments is appreciated. The program areas discussed are vital. I urge the Committee to support NOAA's fishery programs to assure that our citizens benefit from the employment, food supply and revenue which can be generated from our fishery resources.

American Farm Bureau Federation

PREPARED STATEMENT OF JOHN C. DATT

SECRETARY AND DIRECTOR, WASHINGTON OFFICE

The American Farm Bureau Federation is the nation's largest general farm organization with a membership of over three million families in 48 states and Puerto Rico. Farm Bureau members produce virtually every type of commodity grown on a commercial basis in this country. Many Farm Bureau members, particularly those who produce commodities with sensitivity to changes in weather conditions, have benefited by the agricultural weather services of the Department of Commerce's National Oceanic and Atmospheric Administration. This letter pertains to funding levels for the agricultural weather service program for FY 1985.

At the 65th annual meeting of the American Farm Bureau Federation last January, voting delegates of the member State Farm Bureaus adopted the following policy regarding agriculture weather:

> "Accurate and timely reporting of weather information is necessary. We support the maintenance and adequate funding of current weather analysis and information dissemination systems and encourage federal, state and private agencies to work to improve these systems. To assure continuity and improvement of these systems, a coordination of user support and federal funds is encouraged. We oppose the sale or transfer of National Weather Service facilities to private industry. Legislation should be enacted to mandate that agricultural weather services be maintained as a federal program with joint planning between the National Weather Service and USDA.

> Efforts to advance weather forecasting technologies should be concentrated in areas which will benefit crop and cultural management practices."

The FY 1985 budget summary for the Department of Commerce, NOAA, indicates that the agricultural weather services program, including the fruitfrost program, is being eliminated. This proposed elimination will affect farmers who depend on accurate weather information to determine optimum times for planting, fertilizing, spraying, and harvesting, as well as alerting growers to the need for special protection of commodities such as citrus groves, grape vineyards and apple orchards.

Farm Bureau recognizes and supports the need to reduce the growth of federal spending even in areas that are viewed as helpful to farmers and ranchers. However, we believe that it is ill-advised to eliminate or further reduce federal funding for the Agricultural Weather Service Program. Farm Bureau recommends continued funding or personnel reallocation at the FY 1984 appropriations level to perform vital agricultural forecasting services.

Thank you for consideration of our comments. We ask that they be made a part of the hearing record on this issue.

Prepared Statement

SUBMITTED ON BEHALF OF THE ASSOCIATION OF AMERICAN UNIVERSITIES AMERICAN COUNCIL ON EDUCATION NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

On behalf of the member institutions of the Association of American Universities, the American Council on Education, and the National Association of State Universities and Land-Grant Colleges, we urge you to provide the $5 million requested by the Administration to fund Title VIII of the Department of State Authorization Act, the Soviet and Eastern European Research and Training Act.

Alarmed by the erosion in the number of Soviet bloc experts, the steady decline in the number of graduate students entering the field of Soviet and Eastern European Studies to replace those experts, and the dwindling volume of research in a field so central to American security concerns, Congress and the Administration have worked together to establish a major program to restore our national capacity for research and advanced training in Soviet and Eastern European Studies.

Title VIII of the Department of State Authorization Act, passed by Congress last fall, establishes a $50 million, ten-year program of research, advanced training, and exchanges in this field. The legislation authorizes the Secretary of State, in consultation with an advisory committee of government and academic representatives, to make grants to national organizations to administer programs of research and dissemination of research results; graduate and postdoctoral fellowships; specialized, reciprocal programs of research and advanced training with the USSR and Eastern European countries; and language training in Soviet and Eastern European languages.

Congress permitted the use of $2 million in currency gains to fund Title VIII in FY 1984; however, those funds were already obligated, and no funding has been provided this year. Recognizing the importance of these programs and the urgency of their implementation, the State Department has requested in its FY 1985 budget the full $5 million to implement the legislation.

It is important to note that, although Title VIII is new legislation, it does not entail developing new organizational structures and administrative procedures. The conference report for the authorizing legislation makes clear that the Secretary should award grants to national organizations with established expertise in administering research and training programs in Soviet and Eastern European Studies; specifically mentioned are the National Council for Soviet and East European Research, the International Research and Exchanges Board, and the Woodrow Wilson International Center for Scholars and its Kennan Institute for Advanced Russian Studies.

These organizations have been conducting programs similar to those called for in the legislation for some time, but their support has been uncertain from year to year and has markedly declined over the longer term. What this legislation provides is a stable, long-term source of core support to assist such organizations to encourage new scholars to enter the field and to fund policy-relevant research not now being conducted. The $5 million authorized by Congress and requested by the State Department is urgently needed to begin this process and stem the erosion of our national capacity in this critical area.

What follow are: (1) a brief recounting of important activities underfunded and opportunities lost under current conditions, and (2) a cost estimate for the implementation of the programs called for in the legislation.

I. Current Problems

- Combining the results of two surveys of support for Soviet and Eastern European Studies--a Stanford University survey for the period from 1965 to 1975 and a Rockefeller Foundation survey for 1975 to 1982--reveals a 77% decline in support for the field in constant dollars.

- A GAO report indicates that government agencies responsible for analyses of Soviet and Eastern European affairs anticipate increasing difficulty in the 1980s in acquiring needed research in this field.

- Over the last five years, the National Council for Soviet and East European Research has received 406 applications for research project funding, totalling $21,934,000; it has been able to fund 92 projects for a total of $3,972,000. The Council's necessarily high rejection rate, forced by a constant dollar decline of 70% since 1981, has discouraged applications, so that the lost research potential is even greater than the above numbers indicate.

- For 1984, the research fellowship program of the Kennan Institute of the Woodrow Wilson International Center could fund only 4.25 12-month fellowships out of 50; the extreme application pressure squeezes out promising young scholars and discourages even senior scholars from entering the competition, again producing the loss of research potential for which government agencies have expressed concern. Kennan's short-term fellowship program, providing access for up to one month to Washington's library and archival holdings for research on the Soviet Union--the largest concentration in the country--is funded by a private grant that will expire next year.

- o The National Council on Foreign Language and International Studies has estimated that the country currently lacks more than one-third of the primary personnel required to meet the needs of government, universities, and the private sector.

- o It is estimated that half of the recognized academic experts in Soviet and Eastern European Studies will be dead or retired in the next decade, yet current rates of replacement fall far short of offsetting these losses, let alone reversing existing shortages.

- o IREX has been unable to establish needed new exchange programs that would extend access by U.S. scholars to important institutional and personnel resources.

- o Unstable funding of the Kennan Institute has severely impaired its capacity to seize timely opportunities for research conferences and dissemination of publications. Currently, the Institute has a unique opportunity to bring together virtually all of the scholars working on the Warsaw Pact to review and discuss a substantial body of new research; the necessity of raising outside funds due to the lack of internal resources means that many such opportunities are lost.

II. Cost Estimates for the Programs Mandated by the Soviet and Eastern European Research and Training Act

The following are the programs that national organizations could implement in the first year. Their estimated first-year costs are approximations based on judgements about national needs and minimum size to sustain program effectiveness and efficiency.

A. A National Research Program

- o college- and university-based, cost-shared research project contracts awarded through peer-reviewed national competitions;

- o research initiated by national organizations to encourage work in neglected fields, on underutilized materials, and with new methodologies;

- o support for scholars to come to Washington to use the vast data resources of government and private agencies;

- o on-site research in the USSR and Eastern Europe.

estimated annual cost: $2,000,000

B. A Program of Graduate, Postdoctoral, and Teaching Fellowships

- o three-year portable fellowships, awarded competitively, to encourage a small number of the most talented college graduates to enter graduate programs in Soviet and Eastern European Studies;

- o dissertation fellowships--one-year fellowships for support of dissertation research and preparation, with a one-year competitive renewal option, with awards based on the achievements of the student and the promise of the dissertation as judged by national panels of scholars;

- three-year postdoctoral teaching and research fellowships--competitively awarded support to the most promising young faculty to help in establishing careers in teaching and research.

estimated annual cost: $1,000,000

C. Dissemination of Research Data

- development of information storage and retrieval systems;
- support for distribution of advanced research materials, involving journals, newsletters, monographs, book prepublication costs, and other research-pertinent announcements;
- conferences, workshops, and seminars for oral presentations of preliminary findings and discussions of research in progress;
- annual competitions for contracts to develop public information programs to present research results in mass print and electronic media.

estimated annual cost: $500,000

D. Fellowships and Research Support to Facilitate Collaboration Between Government and Private Specialists

The principal component of this program would be fellowships for scholars to visit research centers in Washington and participate with government specialists in joint workshops, conferences, and other meetings to consult on the development of national research agendas, the design of research projects, and the examination of research results. The program would also include the compilation and maintenance of directories to government research resources available to nongovernment scholars.

estimated annual cost: $500,000

E. Advanced Training and Research Through Exchanges with the USSR and Eastern Europe

In addition to the exchange programs currently being conducted, there is need for a new program of short-term visits by senior specialists, for expanded in-country language training opportunities, and for expanded bi-national research and seminar projects.

estimated annual cost: $750,000

F. A Program of Grants to Individuals and Summer Institutes for Advanced Language Training

Language training would be incorporated into several of the programs listed above. In addition, an annual competition would be held for individual and institutional grants for advanced language training at summer institutes operated by institutions of higher education.

estimated annual cost: $250,000

Total Funding: $5,000,000

Each of these activities could be initiated immediately by the existing network of national organizations and college and university programs. The funding authorized by Title VIII for these activities would not meet all the needs in this field but would provide an urgently needed source of stable, long-term support to begin restoring our national capacity for research and advanced training in Soviet and Eastern European Studies.

Thank you for considering our views.

Robert M. Rosenzweig
Robert M. Rosenzweig
President, Association of
American Universities

Robert L. Clodius
Robert L. Clodius
President, National
Association of State
Universities and Land-Grant
Colleges

J. W. Peltason
Jack W. Peltason
President, American Council
on Education

STATEMENT OF THE
CALIFORNIA-ARIZONA CITRUS LEAGUE

My name is William Quarles and I am President of the California-Arizona Citrus League ("The League").

The League is a voluntary, non-profit trade association composed of marketers of California-Arizona citrus fruits. Members are farmer cooperatives and independent shippers of over 75% of the fresh citrus fruit produced in Arizona and California. These growers produce oranges, lemons, grapefruit, tangerines and limes.

The League appreciates the opportunity to present its views on a matter of industry concern, namely the need to preserve the Fruit Frost Forecast and Advisory Service Program. The Fruit Frost Program, administered by the National Oceanic and Atmospheric Administration, provides citrus and fresh fruit and vegetable growers in California, Arizona, Florida, and Texas with detailed site-specific minimum temperature forecasts and other advisory services that support implementation of measures for avoiding or lessening frost damage to crops. While "zone forecasts" issued by the nearest National Weather Service forecast office for the areas involved include both maximum and minimum temperature projections, such forecasts are not site-specific and thus, are of marginal use to farmers now served by the Fruit Frost Program. For example, in parts of California, a great many variations of climate can occur over a small land area due to distinct changes in the topography. With site-specific forecasts, growers would have the advanced warning needed to determine if and when frost equipment would be required.

The Fruit Frost Program is staffed with trained agricultural meteorologists who monitor conditions which could damage crops. Information is gathered on a very detailed basis--often down to the square mile--and is disseminated to interested persons through television, radio and telephone recorders. For example, the California Fruit Frost Service is able to cover those areas where frost sensitive crops are grown, through a network of eight regional and nine district offices stretching from the Northern Sacramento Valley to the Mexican border. Of the $15 billion agricultural production in California, over $1 billion is frost sensitive. The estimated annual crop-less savings in California alone approaches $70 million.

The National Weather Service estimates that there are approximately $1.6 billion in weather-related crop losses each year. In addition, weather impacts other areas of agriculture by causing reduced yields associated with plant and animal diseases, insects, pollution and water use. These additional weather-related losses are estimated by the National Weather Service at $9 billion annually. While these losses cannot be avoided entirely, it is possible to reduce agricultural losses significantly through better forecasts and information.

The Fruit Frost Forecast and Advisory Program in California has been in existence for over 60 years, serving many segments of California agriculture. Program audits have shown that of all the Weather Service programs, (which provide an estimated return of $20-30 in crop and livestock savings for every dollar spent) the Fruit Frost Program has one of the highest cost-benefit ratios. Additionally, the Fruit Frost Program provides much more than minimum temperature forecasts. It provides complete weather advisory forecasts to the agricultural community. It also provides information on spray and dusting weather, winds, high temperatures, humidity, rainfall and rainfall amounts, and orchard dry times.

The information provided by the Fruit Frost Program is also of importance in the various Integrated Pest Management (IPM) Programs which have been implemented in the past several years. An important factor in these IPM Programs is accurate and timely weather data. Without good weather data, we cannot accurately predict insect and disease life cycles. Therefore, we cannot effectively time control measures where warranted.

The members of the League were distressed to learn that the Administration has once again proposed elimination of this vital program. The League's members are puzzled as to why this program has been targeted for elimination once again since the Congress has restored funding for fiscal year 1984 (P.L. 98-166). The benefits produced by the program far exceed its small cost. Further, it would be very difficult, if not impossible for this program to be operated by the private sector without an interruption in service. It must be remembered that even one year's break in service could prove disastrous to the agricultural community and the consumers of this nation. The successful operation of this program requires skilled personnel to conduct the forecasts together with the technical hardware necessary to develop the required data. Both of these items are not presently available in the private sector.

The League strongly urges the Committee to once again correct the shortsightedness of the Commerce Department in proposing to eliminate the Fruit Frost Program. We suggest that funds be appropriated for the Program, at current levels, with the appropriate increases for inflation and employee benefits.

Respectfully submitted,
William K. Quarles
William K. Quarles, Jr.
President
California-Arizona Citrus League

STATEMENT OF THE CALIFORNIA RAISIN ADVISORY BOARD

The California Raisin Advisory Board ("The Board"), under the auspices of the California Department of Food and Agriculture, oversees the state marketing order for raisins. The Board represents over 4500 producers and processors of raisins, who account for 100% of the U.S. and 30% of the world production.

The Board takes an active interest in matters of vital concern to the raisin industry, including generic advertising, promotion and funding for research and producer information programs. We appreciate this opportunity to present a statement for the record strongly supporting the continuation of the Fruit Frost Forecast and Advisory Service.

For over 60 years, the Fruit Frost Program has provided the multi-billion dollar fruit and vegetable industry in California, Arizona, Texas and Florida with accurate, site-specific minimum temperature forecasts and other advisory services. Armed with these detailed forecasts in advance of a frost, growers are better able to take steps necessary for avoiding frost damage to crops. The "zone weather forecast", provided by the National Weather Service cannot take the place of the Fruit Frost Service as these zone forecasts are not site-specific , and thus are of minimal use to growers.

The Fruit Frost Service employs highly trained agricultural meteorologists, who closely monitor weather patterns which could be potentially devastating to frost-sensitive crops. Information is gathered on a daily basis from numerous sites and carefully analysed by meteorologists, who then make site-specific forecasts for the various locations within their region. These forecasts are made available to the public through television, radio, and telephone recorders.

The Fruit Frost Service is extremely important to the California raisin industry as more than 80% of the U.S. production is in a 500 square mile area in Fresno County, with the remaining 20% scattered throughout the state. With such a large percentage of the national crop concentrated within a small region subject to particular weather changes, the California raisin industry depends heavily upon the Fruit Frost Service for accurate and timely site-specific forecasts. It is estimated that in the San Joaquin Valley alone, the Fruit Frost Forecast and Advisory Service saves the industry roughly 10% of the crop value through more efficient use of irrigation, reduced and better sprays and nutrients, and accurate forecasts provided during the harvesting and drying period.

The California Fruit Frost Forecast and Advisory Service covers those areas where frost sensitive crops are grown, from the northern Sacramento Valley to the Mexican boarder. It is estimated that over $1 billion of the $15 billion California agricultural output is frost sensitive. Further, the estimated annual crop-loss savings in California alone approaches $70 million.

In addition to the fruit frost forecasts, the National Weather Service agricultural meteorologists provide detailed, site-specific forecasts to growers in an effort to reduce the amount of pesticides applied. A tremendous emphasis has been placed upon Integrated Pest Management ("IPM") by U.S. Department of Agriculture/Agriculture Research Service Experiment Stations and the various agriculture industries. Everyone associated with this research feels that the IPM approach to a more judicious use of pesticides will benefit agriculture and the end user of agriculture products. It should be noted that many of the IPM decisions are weather driven. That is, accurate weather data is vital for the efficient use of any of the IPM programs.

The state of California has established the California Agricultural Weather Task Force ("CAWTF") to examine and identify industry weather information needs now and into the future. The Agriculture Research Institute ("ARI") panel on Agricultural Meteorology recently proposed a blueprint for federal, state and local weather services entitled, "An Approach to a Flexible Agricultural and Forestry Weather and Climate System". This blueprint makes several recommendations to coordinate and rationalize the existing weather dissemination services. Both of these organizations strongly support the maintenance and carefully planned expansion of the National Weather Service Agricultural Weather Programs.

The California Raisin Advisory Board is deeply concerned with the Department of Commerce decision to again eliminate the Fruit Frost Forecast and Advisory Service and other agriculture weather services. These programs return millions of dollars in lost crop savings to the producer and consumer each year. In fact, program audits indicate that the Fruit Frost Service has the highest cost-benefit ratio of any division within the National Weather Service. Further, it would be extremely difficult, if not impossible for the private sector to take over all facets of these programs without an interruption in service. Additionally, any abrupt move to the private sector would undoubtedly result in a disruption of service. If an interruption occurs, the losses to both producers and consumers could quickly run into millions of dollars.

The California Raisin Advisory Board strongly urges this Committee to re-evaluate the Commerce Department decision to end these valuable agricultural weather programs. To this end, we recommend that funds be appropriated at current funding levels, with appropriate increases for inflation and employee benefits.

Respectfully submitted,

Clyde E. Nef

Mr. Clyde Nef
Manager
California Raisin Advisory Board
P.O. Box 5335
Fresno, CA 93755

PREPARED STATEMENT

CALIFORNIA FARM BUREAU FEDERATION

HENRY J. VOSS, PRESIDENT

The California Farm Bureau Federation (CFBF), representing over 100,000 member families and approximately 85% of the farmers in the state, is very concerned about the continued threat to funding of agricultural weather ($1,000,000), fire weather ($808,000), and fruit frost ($418,000) programs provided by the National Weather Service (NWS). All three of these programs should be considered in one package due to the cross-utilization of NWS meteorologists in weather programs for agriculture. Weather information is extremely important to farmers, especially those with frost sensitive crops, and, crop yields and quality would be reduced without this production tool. We oppose elimination of federal funding for these programs and request that they be fully funded for FY 1985.

Farm Bureau policy supports maintenance and adequate funding of current weather analysis and information systems and encourages federal, state and private agencies to work to improve these systems. Coordination of user and federal funds is encouraged, along with a mandated federal weather program with both NWS and USDA involvement.

Although there has been considerable discussion in this area, agriculture currently has no other organized means of funding or obtaining services similar to those provided by NWS. Numerous proposals from research groups, agricultural industry members, and private companies have surfaced on how to tie together and fund agricultural weather services. We are in the process of actively surveying agricultural weather users to ascertain their needs and current level of services. Once this information is collected, and analyzed, we will be able to proceed on plans for a more coordinated system.

Our main concern right now is the need to maintain an assured funding source for quality agricultural weather, fire weather, and fruit frost programs. With the history of budget cut proposals for these programs, local NWS administrators have had difficulties in both recruiting and maintaining high caliber, experienced personnel. This has had a detrimental impact on overall program quality and, if this instability persists, may eventually deteriorate to a point that weather programs for agriculture are no longer functional.

We are looking forward to the possibility of hearings later this year to address the role of the federal govenment (both NWS and USDA) in providing weather services to agriculture. This issue needs to be more fully addressed . . . we can no longer tolerate the vagaries of arbitrary budget cuts to such an important service.

Weather programs affecting agriculture are essential for both growers and the public welfare. Agricultural weather, fire weather, and fruit frost programs should not be viewed as providing a special service benefiting a small segment of the economy. It is imperative that agriculture remain strong and profitable to aboid another reduction in the nation's income generating capability, produce food in abundance for the world's hungry, and contribute positively to the U.S. trade balance. Continued full federal funding, at FY 1984 levels, is the fairest and most efficient wat to provide weather information necessary to agriculture at this time.

Thank you for consideration of these views.

ATTACHMENT:

The National Weather Service has a long history of support to agriculture. In fact, it was a part of the U.S. Department of Agriculture from 1890 to 1940. The following are some answers, from a user perspective, to commonly asked questions about NWS service to agriculture.

What is actually being proposed? "Elimination" of a program means "to get rid of, set aside as unimportant, leave out of consideration, or ignore." The effects of adverse weather on agriculture and related activities has been estimated by the General Accounting Office (GAO) to cause yield reductions costing the nation an average of $8.2 billion annually, with preventable weather related losses of $3.5 billion a year (or 43% of the total). It is hard to believe that any service to curtail these losses is unimportant.

While discussing definitions, it should also be mentioned that a "reduction" means "to lessen in extent, amount, quality, degrade, or bring from a higher to a lower condition." These descriptors are exactly what would happen if any reductions were approved at this time. Agriculture may still receive a service, but it would be considerably less effective.

What is agricultural weather information? This is a hard question to answer since it ranges from "general weather information that is obtained in an agricultural (compared to urban) area" to "tailored services based on local production needs." Tailored service may provide the following information depending on the time of year and type of crops grown: frost warnings (utilizing numerous weather factors to estimate the degree of potential damage); soil and water temperatures; heat units (amount of time above a minimum temperature); air motion (wind speed, direction, and duration); dewpoint and humidity; type and direction of rains; evapotranspiration (amount of water loss from soil and plants); and degree hours for pest emergence. Farmers use these reports to more efficiently provide frost protection, livestock protection, and help in planting, drying, spraying, harvesting, marketing, and irrigating decisions. In water deficit areas of California, accurate agricultural forecasts are essential to local water management programs. The water district, farmers, and local community will utilize these forecasts in requesting the quantity of water needed for irrigation or frost protection practices. Related agricultural businesses also need accurate weather information for marketing, processing, transportation, and other operations, such as aerial chemical application.

Why can't farmers use general public forecasts instead? Although NOAA has indicated that general public forecasts will continue to supply weather information, they are generally not accurate enough for farmers and are difficult to convert into farming decisions. Also, they primarily cover urban areas. In reality, farmers use both general and agricultural forecasts when available. If site-specified weather information is needed, they rely on private sources. However, these private companies are heavily dependent on information from NWS agricultural programs.

How does the U.S. economy and general public benefit from good agricultural weather information? In the Winter 1982 issue of NOAA, the Agency's quarterly publication, some insight on the National Weather Service's impact on the nation's economy was provided. The article indicated that specialized agricultural weather forecasts ". . . help keep production and operating costs down, factors ultimately reflected in lower consumer prices." Numerous examples were cited on the savings farmers realized from NWS weather information. However, these savings not only related to increased crop yield, but also to the use of pesticides, electricity, fossil fuel, and water. Agricultural weather forecasts effectively reduced air pollution from burning practices and enhanced both crop storage and transportation ability. It has been estimated tht over 40% less sprays are applied when timely agricultural weather information is available.

Who else is affected besides farmers? When discussing the impact of NWS agricultural program elimination or reduction, one must take into consideration other agencies that are cooperating with NWS. In addition to USDA and Cooperative Extension programs, the University of California and the California Department of Food and Agriculture have been working with NWS to develop a statewide computerized network to provide weather data to growers for both irrigation and integrated pest management purposes. In an urban, water dependent state, increased agricultural efficiencies in these two areas are critical to all. Without the agricultural weather service, the cooperating agencies may find themselves left without the main NWS support base. They may have also wasted valuable time and money on a project that cannot be completed.

Are agricultural weather programs cost effective? The fruit frost program, which has been in existence for over 60 years, has been rated by NWS as one of its most cost effective programs. In an effort to develop user data to determine program efficiency, the NWS Western Regional Headquarters polled growers, grower organizaations, land grant universities, and Cooperative Extension offices about the use of weather information to farmers. The response indicated that at least ten percent of the value of frost sensitive crops and three to five percent of the value of other crops was attributed to good agricultural weather information. This conservatively totals around 400 million dollars worth of benefit at a cost to the western region of less than 1 million dollars, or a benefit of 400 times the cost. It has been documented that one accurate forecast in 1978 for a freeze in Tulare County, California, saved 25 million dollars worth of citrus. The forecaster involved cost approximately $35,000, for a benefit of over 700 times the cost.

Can farmers themselves pay? As directed by our policy, Farm Bureau is looking closely into an organized mechanism for industry funding of weather programs affecting agriculture. In the meantime, there has been a considerable amount of grower money contributed to enhance NWS program functions. (Other specialized or general NWS programs may not have this type of support and should be closely examined.) This grower funding is utilized for providing offices, computer connections, remote sensing units, telephone services, or in-kind assistance. In addition, grower volunteers have actively monitored temperature sensing units on their farms and reported their data to the local NWS office on a daily basis. Many of these grower volunteers have participated in this manner for over thirty years. However, continued forecasts are needed from personnel in the NWS Riverside Office for Agriculture, which is scheduled for closure under the administration's proposal.

The current dissemination of agricultural weather information on public radio, television, NOAA weather radio and direct phone lines provides the most opportunity for benefit compared to the cost of funding. If a mechanism such as user fees is proposed, the problems of how money can be collected in an equitable manner, and how to provide services to each area commensurate to the money collected would also need to be solved. The cost to administer user fees may in essence exceed the cost of the program.

PREPARED STATEMENT OF EDWARD I. KOCH

MAYOR OF NEW YORK CITY

Chairman Laxalt, Members of the Subcommittee, fellow colleagues: Thank you for extending to me this opportunity to return to Congress to testify on Federal reimbursement for the local costs of protecting foreign officials - an issue of paramount importance to New York and, indeed, to our nation.

I am here today primarily to address New York City's concerns with two separate but closely allied diplomatic police protection reimbursement programs, one for United Nations dignitaries, authorized by P.L. 94-196 the Executive Protective Services Act and the other for Consular officials, authorized by P.L. 98-164, the 1984 State Department Authorizations Act.

New York has a substantial stake in both these programs since the City serves as host to the largest diplomatic community in the world; - one consisting of over 32,000 diplomats associated with 157 United Nations missions and 90 Foreign Consulates.

The maintenance of rountine police services as we must do for all our citizens, such as crime prevention, safety patrols, emergency aid and investigations of criminal activity is not part of my testimony here today. New York City and numerous other cities across the country gladly absorb the cost of providing these services to their diplomatic communities - even though I might add that municipalities receive nothing in return, such as income, property or sales taxes, not to mention parking fines or other legal judgements.

The type of protection about which we are talking today is "extraordinary protection." Extraordinary protection is based on threats posed against specific diplomats at specific times, or harzards associated with their status as representatives of foreign powers, and it allows them to perform their business in an unhampered and safe manner. World leaders in New York on U.N. business from September through December of last year included 17 Presidents, 14 Prime Ministers, 1 King, 3 Vice Presidents, 31 Foreign Ministers and 1 Defense Minister. This type of protection far exceeds the scope and responsibility of local police activity. It actually fulfills a federal responsibility assumed through reciprocal international agreements. It is for this reason, coupled with the fact that international terrorism has been on the rise in the last few years, that the Federal government has begun to acknowledge its responsibility in sharing the cost of this type of protection.

In December 1975, after 15 years of effort by New York for Federal assistance, President Ford signed Public Law 94-196, allowing reimbursement up to a maximum of $3.5 million annually to local law enforcement agencies for the protection of foreign dignitaries visiting the United Nations. The City's long-standing contention that protecting these foreign dignitaries is a Federal responsibility was accepted in Senate Report which accompanied P.L. 94-196: "... local communities should no longer be forced to bear the full cost of what is essentially a national obligation."

As a result of Congressional initiatives during 1982, the amount available for U.N. Police protection increased from the original $3.5 million level to the current level of $7 million, which more accurately reflects the average annual cost of extraordinary United Nation's Police protection. For example, in calendar year 1982 fixed post costs alone were in excess of $5 million while the cost of protecting 59 visiting dignitaries amounted to nearly another million. Additional demonstrations, protests and supplemental costs added another $3 million. Though all these costs are United Nations related, not all are deemed eligible for reimbursement by Treasury. All those costs in excess of the authorized $7 million are still absorbed by the taxpayers of the City of New York.

The second of the two programs we are discussing today, was authorized for the first time in Federal fiscal year 1984 and would provide $6 million nationwide for the protection of Foreign Consulate Officials. This would for the first time allow reimbursement for the extraordinary protection of Consular officials who are frequently in as much need of such protection as are United Nations dignitaries. New York City has for many years maintained that local governments should be reimbursed for the extraordinary protection they provide Consular officials in a similar fashion to the way they are reimbursed for United Nations dignitary protection. The City has for example absorbed between $300,000 and $400,000 per year for such protection and relief of all or part of this burden would be welcome.

New York commends the Congress on realizing that the need to protect Consular personnel, but it is distraught over the fact that it may be doing so at the expense of the already established and absolutely critical United Nations dignitary protection program. Let me explain.

It would appear that until the Federal fiscal year 1985 budget takes effect, the $7 million United Nations diplomatic protection program will continue to be administered by the Department of the Treasury's Secret Service Division. From the sketchy information we have received thus far, it seems that as part of the 1985 budget, this function will, by Executive Order, be transferred to the Department of State, combining it with the new Consular protection program. That would be fine with New York if that were all that were happening, - but it's not. The Administration is asking for the full $6 million authorized for the Consular protection program, but is cutting the request for the United Nations program in half, to the $3.5 million which was recognized by Congress as being woefully inadequate just two years ago!

Should we, as a result of this proposed reduction, cut our protection of United Nations diplomats by 50%? Think of what the consequences could be, especially in this time of rampant worldwide terrorism.

So far we have been fortunate that we have been able to ward off serious terrorist activities committed against the diplomatic community in New York. Prior to 1980, we had a perfect safety record with respect to the personal security of diplomats and their families. In the 34 years since the establishment of the United Nations, no diplomat had been assassinated or abducted and a procession of popes, members of royalty and heads of state and government had moved through the City and departed in safety.

Even though New York's enviable record of no diplomatic bloodshed was marred in the fall of 1980 when a Cuban diplomat was shot to death on a City street, our Police Department continues to do a remarkable job. In their performance of the diplomatic protection function they are serving all Americans, and they are doing so at considerably less than what it would cost the Federal government to do so. The Treasury Department has itself testified before Congress that if the Federal Government were to physically provide this protection, as it does here in Washington, it would cost $20.1 million to do so in the first year alone, with an annual cost thereafter of $14.5 million. Surely in this light, the $7 million which has been authorized for this purpose in fiscal years 1983 and 1984 is not only reasonable, it is in fact, a real bargain for the United States, - something rare in this day and age. Does this efficiency warrant reductions? I think you'll agree that it does not.

As you can see, the cost of providing police security for New York's diplomatic community is costly, but much less costly than the implications for our country of having "half-way" protection. While the Federal Government has recognized its obligation to reimburse the City for these expenditures, the authorization level of $3.5 million for United Nations dignitaries is manifestly inadequate to meet these obligations. At the same time, severe resource constraints brought about by the City's fiscal difficulties in the last few years have reduced its police force substantially. Accordingly, it is becoming increasingly difficult to meet the security requirements of both the diplomatic community and the citizens at large of our City. I therefore need the determined assistance of Congress to restore to $7 million the annual appropriation level as authorized under the law.

New York would also like to see the appropriation of funds for the Consular Protection program because it is also a worthy and necessary program, - but not at the expense of the already well established and proven effective United Nation's diplomatic protection program.

I thank you.

PREPARED STATEMENT OF THE FREEDOM FEDERATION

COMMITTEE ON INTERNATIONAL BROADCASTING

The Voice of America, Radio Free Europe/Radio Liberty, Radio In American Sector Berlin and the soon-to-be Radio Marti are valuable national assets that provide for many of the peoples of the world the most systematic means of obtaining credible news and information. After years of neglect and resulting erosion of transmitting capabilities, they have again received under the current and preceding Administrations the attention they rightfully warrant.

In July of 1982, the President announced a major modernization and expansion plan for the radios, the realization of which will require a sustained commitment by Congress to some five years of expanded budgetary requirements.

The Voice of America has begun to determinedly act upon that plan as reflected in its 1985 request of $113 million for radio construction, plus $167 million for operating expenses. If VOA has had false starts and piecemeal expansion in other years, then we feel it is now proceeding according to a well developed long range plan and that these amounts are justified.

The $113 million account—an initial step in the long range formula—is especially crucial at this point since further steps depend on its appropriation. For that reason, we strongly urge the Subcommittee to consider earmarking that amount for VOA's use only. Even with these increased funds, VOA will still be in a position of having to play catch-up for a number of years to maintain its position among international broadcasters.

Radio Marti, the new service for broadcasting to Cuba, has requested for the coming fiscal year less than $11 million, an amount which would ensure adequate continuation of its start-up operations now underway. We feel it is a reasonable amount, in line with the projected number of broadcasting hours and other needs of a new service.

The request for Radio Free Europe/Radio Liberty of just over $100 million for 1985 is extremely modest for an operation which broadcasts in more hours than VOA. Even with the favorable exchange rate of the dollar at present, it is a minimal amount and one we hope will not present any problem to the Subcommittee.

Should RFE/RL later in the year request supplemental funding, and we trust it will be in a position to do so, we urge the Subcommittee to keep in mind that RFE/RL's expansion needs are no less important than VOA's and to look favorably upon the request. RFE/RL should not become a stepchild to the VOA; if anything, its mission is perhaps the more difficult one.

The Freedom Federation's member organizations can attest to the importance of these broadcasts, in many cases through personal experience of their individual members, or through contacts with friends and relatives in their native countries. The broadcasts serve as a counterweight to the half-truths and intentional falsehoods about America and the West that emanate from the controlled media of these countries and, consequently, they instill in the minds of their listeners doubts about the policies and legitimacy of the controlling regimes. Too often, however, we do learn that the audibility of many regional broadcasts is poor, whether in jammed or unjammed environments.

The record shows that this Subcommittee, and Congress as a whole, have with minor exceptions been very forthcoming on Executive Branch funding requests for the stations. In this time of demonstrated need, we urge the Subcommittee to continue that record, especially with respect to the Voice of America's request.

PREPARED STATEMENTS FROM MEMBERS OF CONGRESS

PREPARED STATEMENT OF SENATOR J. BENNETT JOHNSTON

Mr. Chairman, I appreciate this opportunity to submit testimony to your Subcommittee to request Congressional appropriations which would allow the Department of State to implement the Foreign Missions Extraordinary Protective Services Reimbursement Program, recently authorized by the Department of State Authorization Act for Fiscal Years 1984 and 1985 (P.L. 98-164).

The protection of foreign diplomatic missions and personnel has traditionally been a Federal function. The Federal Government bears responsibility for the protection of foreign missions under a number of international agreements. Furthermore, the security of American diplomatic delegations abroad is increasingly bound to our capacity, through the principle of reciprocity, to provide comparable protection for foreign officials within the United States.

State and local governments generally regard their obligations for providing protection for foreign missions and officials as part of the constitutional mandate to provide equal protection to all persons within their jurisdiction. State and local governments are not parties to international treaties or agreements, however. Their responsibility in this area is therefore of a rather limited nature. Moreover, State and municipal law enforcement agencies depend on severely limited resources and can not always be expected to provide adequate protective services in this area, especially under prolonged or extraordinary circumstances in a period of fiscal austerity.

Mr. Chairman, under the Vienna Convention on Diplomatic Relations of 1961, the United States bears responsibility for assuring the provision of adequate security for foreign mission personnel and property within its borders.

Over the years, there has evolved a system within the Federal Government for the protection of foreign officials assigned to or visiting cities in the United States outside of Washington, D.C., in which the Secret Service and the Office of Security in the State Department have provided provided protection only for high-ranking foreign officials with the rank of Ambassador or above. For other foreign officials residing in the United States, (i.e. consular officials) protection has been provided within available resources by local and State law enforcement agencies.

Terrorist attacks on foreign diplomatic personnel, including the assassinations of the Turkish Consul General in Los Angeles on January 28, 1982, and the Honorary Turkish Consul in Boston on May 4, 1982, have intensified the need for more effective coordination between Federal, State, and local authorities in the protection of foreign officials.

Mr. Chairman, in the past State and municipal law enforcement agencies have usually cooperated with the State Department to protect foreign diplomatic personnel even under extraordinary circumstances. Occasionally, these protective services have represented a substantial financial burden to cities. For example, the State of Louisiana is host to nearly thirty foreign diplomatic delegations headed by career consular officers. Periodically, some of these consulates are subject to demonstrations and terrorist threats. The City of New Orleans Police Department has spent a considerable sum of money over the last few years for the protection of foreign consulates within its jurisdiction.

There is, however, a precedent for reimbursement of State and local law enforcement agencies, established in December of 1975 with the enactment of Public Law 94-196, the Executive Protective Services Act. Specifically, this law provided for the reimbursement of local police for the protection of foreign dignitaries visiting the United Nations. The primary provider of protection for these United Nations dignitaries, the New York City Police Department, has been extremely effective in its role of keeping diplomats safe. This effectiveness has not only been in terms of protection provided, but in terms of cost. It has been estimated that it costs the Federal government only half as much to reimburse local police for this function than it would to have Federal agents perform the same tasks.

Since this law was extended only to United Nations related diplomats, reimbursement was not provided for the protection of other equally important foreign officials such as consular officials and dignitaries not visiting the United Nations.

Accordingly, Congress and the Administration have agreed that in cases of extraordinary need, the Secretary of State should be authorized to reimburse State and local jurisdictions for reasonable expenses in discharging certain requested protective services. Consequently, the Department of State Authorization Act for Fiscal Years 1984 and 1985 authorized the Foreign Missions Extraordinary Protective Services Reimbursement Program with funding levels set at $6 million and $6.3 million, respectively. The program would permit the Secretary of State to reimburse State and local law enforcement agencies when specifically requested by him to provide extraordinary protective services for foreign missions personnel.

Mr. Chairman, I want to stress that this is not an entitlement program. At the request of Senators Percy and Dixon of Illinois and Senators Cranston and Wilson of California, the State Department has held a number of meetings to discuss the guidelines for the implementation of this program with municipal law enforcement officials. I am told that during these meetings there has been general agreement with the notion that Congress did not intend to subsidize local police forces for protecting foreign consulates and officials under routine circumstances. The State Department, in fact, has set forth very clear guidelines which stipulate a case-by-case review of each request that the Department will be making as well as the subsequent claims that arise from these requests.

I have been informed by my local officials that all parties feel confident that the guidelines which have been developed by the State Department for the administration of this program, are just and reasonable. Cities are aware that this program is limited to cases of extraordinary need. The State Department is also prepared to exercise strict control of the program's administration.

Mr. Chairman, from an administrative perspective, the Foreign Missions Extraordinary Protective Services Reimbursement Program is certainly ready for implementation. I, therefore, request that the $6 million included in the Fiscal Year '84 Budget be appropriated by your Subcommittee. Furthermore, I would ask that consideration be given to a supplemental request, as authorized by P.L. 98-164, for the last quarter of Fiscal Year 1984. I also urge the Subcommittee to fully fund the United Nations protection program at $7 million. My distinguished colleagues Wilson and Cranston of California, Percy and Dixon of Illinois, Kennedy of Massachusetts, Chiles of Florida, D'Amato and Moynihan of New York, Long of Louisiana, and Bentsen of Texas, share my concern that we not delay in implementing this modest program.

I thank you, Mr. Chairman, and the members of your Subcommittee for your consideration of this program, and urge its appropriation.

United States Senate
WASHINGTON, D.C. 20510

April 30, 1984

The Honorable Paul Laxalt
Chairman
Subcommittee on Commerce, Justice,
State, the Judiciary, and Related Agencies
S-146A, The Capitol
Washington, D.C. 20510

Dear Mr. Chairman:

As representatives of coastal states in which state maritime academies are located, we wish to express our support for the action that has recently been taken by the Subcommittee on Merchant Marine in authorizing Maritime Administration (MARAD) expenditures for state maritime academy training and support for Fiscal Year 1985 and are writing to ask that the necessary funding be provided for those purposes.

Specifically, the Subcommitee has authorized (1) $3 million in federal training vessel fuel assistance to the state academies, (2) full funding of the Student Incentive Payment Program, and (3) $5 million to complete a major overhaul of the S.S. SANTA MERCEDES, recently purchased by the Maritime Administration for use by the Massachusetts Maritime Academy. All three of these provisions are also contained in the MARAD authorization bill that has been passed by the House of Representatives earlier this year.

The first two amounts are essential if the state academies are to further their mission to adaquately train and prepare cadets in the operation and maintenance of modern vessels in the U.S. Merchant Marine and U.S. Navy.

The third appropriation is urgently required to complete the refitting of the S.S. SANTA MERCEDES for the Massachusetts Academy; until it is available, the school must share the training vessels of the Maine Maritime Academy and the New York Maritime College. This ship-sharing arrangement creates a serious training problem for all three schools; it must be terminated as soon as possible.

MARAD's decision to take decisive action to meet the training vessel needs of the Massachusetts Academy is noteworthy yet additional funds are needed to finish the job. The completion of the Massachusetts vessel is the first step in prompting MARAD to develop a long-range plan under which the training vessels of the remaining four salt-water academies can be replaced or substantially overhauled.

As you know, this is not the first instance in which a group of Congressional representatives have advocated that MARAD develop a comprehensive plan to meet the state academies' training vessel needs. Representative Les AuCoin's Ad Hoc Subcommittee on Maritime Education and Training in 1980 made a similar recommendation.

The problem was a serious one in 1980; it is now critical. The Administration must take action soon to insure that the state academies can safely and effectively train their cadets at sea. Past experience leads us to believe that MARAD will not seriously develop a satisfactory plan unless directed to do so by Congress.

We thank you for your consideration of these comments and requests. We look forward to working with the Subcommittee in an effort to further promote excellence in U.S. maritime education and training.

With best personal regards, we are

Sincerely,

William S. Cohen
United States Senator

Pete Wilson
Pete Wilson
United States Senator

John Tower
John Tower
United States Senator

Lloyd Bentsen
Lloyd Bentsen
United States Senator

Paul E. Tsongas
United States Senator

George J. Mitchell
George J. Mitchell
United States Senator

Alan Cranston
Alan Cranston
United States Senator

Edward M. Kennedy
United States Senator

Daniel P. Moynihan
United States Senator

Alfonse D'Amato
Alfonse M. D'Amato
United States Senator

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, MARCH 7, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:35 p.m., in room S–146, the Capitol, Hon. Warren B. Rudman presiding.

Present: Senator Rudman.

BOARD FOR INTERNATIONAL BROADCASTING

STATEMENT OF FRANK SHAKESPEARE, CHAIRMAN

ACCOMPANIED BY:

BEN J. WATTENBERG, VICE CHAIRMAN
JAMES L. BUCKLEY, PRESIDENT, RFE/RL, INC.

OPENING REMARKS

Senator RUDMAN. The subcommittee will come to order.

Today, we are going to begin the process of examining the administration's budget requests by reviewing the budgets of four independent agencies. Our first request is that of the Board for International Broadcasting, the body that has oversight and funding responsibilities over Radio Free Europe and Radio Liberty.

Appearing on behalf of this request is Mr. Frank Shakespeare, the Chairman of the BIB. Welcome, Mr. Shakespeare, the subcommittee is pleased to hear your views. Please begin by introducing the people who have accompanied you and by giving us a brief overview of the BIB budget.

INTRODUCTION OF ASSOCIATES

Mr. SHAKESPEARE. Thank you, Mr. Chairman. I am accompanied by two gentlemen. On my left is Ben J. Wattenberg, who is Vice Chairman of the Board and, probably more relevantly, is Chairman of the Program Committee of the Board which directly supervises all program operations from the Board's point of view. On my right is James L. Buckley, President of Radio Free Europe/Radio Liberty, Inc., who resides full time in Munich, and who is the chief operating officer of the Radios and runs them on a day-to-day basis. The fact that Mr.

Wattenberg is on my left and Mr. Buckley on my right is a coincidence and has nothing to do with ideology.

BUDGET REQUEST

The administration's request for fiscal year 1985, Mr. Chairman, for the Board for International Broadcasting is $100,498,000. What this money does is basically two things: It provides for a small staff of the BIB, but the overwhelming bulk of the money is a direct grant from the BIB to RFE/RL, the private corporation headed by Mr. Buckley which runs the Radios. That provides the money for the ongoing broadcasts into Eastern Europe and the Soviet Union.

This request actually is $17,684,000 less than the current fiscal year 1984 appropriation. It may seem odd, when the Radios are so vital and so important to the United States, that the administration would be coming to you for less money. However, this is due to the fact that our 1985 request is based on an exchange rate of 2.72 West German marks to the dollar instead of 2.50 West German marks to the dollar last year. In terms of the purchasing power of the mark, which is the currency we use for 71 percent of our expenditures, the administration is, in fact, coming to the Senate and the House asking for the same real purchasing power that we have in the current fiscal year.

CHARACTER AND CALIBER OF RESTRUCTURED BOARD

Mr. Chairman, under legislation passed by the Senate and the House and signed into law by the President last year, you restructured the Board of this organization and gave that Board two very strong powers, the power to set policy and the power to designate management. That is the same power that the board of a private corporation would have.

It is therefore important to take a quick look at the character and caliber of the people that constitute that Board because you have given them a right to set policy and to designate management to run the Radios; the influence of that in Eastern Europe and the Soviet Union can be enormous. What sort of people, then, are on the Board?

There are nine people on the Board. Under the law, no more than five are of one party, so that the current Board consists of five Republicans and four Democrats. We serve 3-year staggered terms. One of the four Democrats nominated by President Reagan and confirmed by the Senate is the gentleman on my left, Mr. Wattenberg, who is the founder and chairman of the Committee for a Democratic Majority, who is a columnist for the Washington Post, who had his own television program for many years on public service television and who is a Senior Fellow at the American Enterprise Institute. Mr. Michael Novak, who is a resident scholar at the American Enterprise Institute, is an outstanding writer on matters relating to spiritual development, ferment in the Western World and on economic matters and theory, both of which are matters of fundamental, philosophical import in radio. The third is James Michener who is, I suppose, among our top three pre-eminent authors in the United States. His current book on Poland has been on the New York Times best-seller list for 27 weeks. Mr. Michener has written extensively not only about Eastern Europe but also about many core areas in the Soviet Union that are very sensitive and to which we broadcast, for example, the Turkish-Moslem areas just north of Afghanistan and Iran. He is one of the very few Americans who has traveled north, south, east, and west of the main cities in the areas, who has lived there, who has researched those people.

The fourth member on the Democratic side is Lane Kirkland who is the president of the AFL–CIO. There are several reasons why Mr. Kirkland is particularly valuable to this Board. One of them is that the events in Poland that have occurred with respect to Solidarity are very different from the events that occurred in Czechoslovakia and in Hungary some years ago. Those tended to be led more or less by intellectuals. The events in Poland tended to be somewhat different. Although intellectuals played a part in the emergence of Solidarity, it really arose among the blue-collar workers, from 10 million people who said, "This thing doesn't work. It's no good for our families, for our children, for our lifeblood." People then rose to great eminence who had never been heard of before in the world at large, people like Lech Walesa.

The rest of us on the Board tend to be white collar. While we might have some feeling that we know what is going on in the minds of blue-collar people, we are not sure, and it is very desirable and useful to have on the Board someone who represents, both symbolically and actually, the great free-trade union spirit of the United States.

I shall not describe in detail the five people who are on the Republican side, except to say they are also people of distinction—extraordinary distinction, in my opinion.

The Board which this Senate has confirmed, is a balanced, bipartisan Board that, I believe, is first class. I took this opportunity to put that on the record because it is an important element for our society in considering the guidance of these Radios and the functions of these Radios.

Thank you, sir.

Senator RUDMAN. I would like to hear any comments that either of the other witnesses would like to make at this time.

Mr. WATTENBERG. I have nothing to add, Senator.

Mr. BUCKLEY. Nothing, Mr. Chairman.

CONCERN OVER POSSIBLE VIOLATIONS OF PROGRAM POLICY GUIDELINES

Senator RUDMAN. I think this might be a good opportunity for you to respond on the record to some of the things said about the operation of Radio Free Europe/Radio Liberty in the past year. And generally, I think you might address the whole question of whether or not there has been an effort to loosen controls, or at least change controls, at Radio Free Europe and Radio Liberty and whether or not that somehow, as a report of the Committee on Foreign Relations indicates, might have increased the possibility of violation. And you are familiar with what I am talking about?

Mr. SHAKESPEARE. Yes, I am, sir.

Senator RUDMAN. Why don't you address that issue rather than have me go through a whole group of specific questions, and just let us have your position on that.

Mr. SHAKESPEARE. I shall do that, Mr. Chairman. There have been several articles in the diverse free press in the United States, and there has been a report by Mr. Christianson, who is a staff aide to Senator Pell on the Senate Foreign Relations Committee. While these articles and Mr. Christianson's report were not necessarily common in their approach, there were some things reiterated; namely, there was a concern that the control of the broadcast by the management, and therefore ultimately by this Board, had been loosened and that, therefore, there was an increased possibility that what went out over the air might be at some time irresponsible, if you will.

Now, to address that matter, I would like to ask Mr. Buckley who is the President of the Radios and runs them on a day-to-day basis in Munich, to make his observations, and then after that Mr. Wattenberg, who as chairman of the Program Committee of the Board, heads up the group that is most directly responsible for this supervision.

I should point out that the Program Committee of the Board consists of three people. It is chaired by Ben Wattenberg, and James Michener and Michael Novak are the other two members.

First, Mr. Chairman, the President of RFE/RL, Jim Buckley.

Mr. BUCKLEY. Thank you, Mr. Chairman.

I think that it should first of all be kept in mind that there was a long argument over the merits of the Pell amendment that merged the two boards, the BIB with what had been an independent, self-perpetuating board in charge of the Radios. There was a great deal of concern expressed at the time that this might result in greater political influence over the operations of the station. That was, in effect, the atmosphere which attended the reorganization of the structure at the station.

Now, shortly after Mr. George Bailey was appointed as the Director of Radio Liberty and after he had examined how that operation operated, he in turn launched a restructuring, which reinforced the fear of some people that this might lift controls and allow irresponsible activities to take place in broadcasting.

What I think is insufficiently understood is that the people who at one point were, in effect, giving marching orders to the heads of the individual services, found themselves in a new role where they were working side-by-side with these same individuals. We believe that the impact of this change was to remove, in a sense, an inhibition but not to lift the basic policy guidance or in any way compromise it.

If I may, with that background, now address some of the concerns expressed by Mr. Christianson, I would, first of all, underscore this critical element of his analysis. He wrote:

> It was not evident from what I saw and heard in Munich that there is a pattern of widespread violations of program policies in RFE/RL broadcasts under its new management. Nevertheless, the potential for the development of such patterns is in evidence because the decisions or practices of the new management that have weakened longstanding broadcast-policy control mechanisms.

In other words, he was expressing concern over what might happen.

MISSION OF NEW PROGRAM SUPPORT UNIT

Now, in terms of his major specifics, he remarked that Radio Liberty itself does not maintain a "recommended list of articles put out every day." That is at the top echelon, but under the reorganization, a body was created which was called Program Support. Program Support each day has its recommended list. In other words, the recommended list continues to exist but it is more closely focused on each of the 15 languages rather than being a blanket list.

Another thing that concerned Mr. Christianson was that Mr. Bailey did not read on a daily basis the Broadcast Analysis Department daily broadcast analysis. But again, the function and concern have been shifted. It continues to exist, but it has been shifted to Program Support, which works hour-by-hour throughout the day with the heads of each of our 15 language services.

Another concern was that, as part of this reorganization, in reallocating a limited pool of in-house language talent in order to reinforce the programming, some individuals who had been in the Broadcast Analysis Department, with the sole function of reading daily scripts and flagging anything that might veer toward the violation of guidelines, were shifted into the Program Support unit. That did have the effect at that time of removing from BAD certain scarce language capabilities; we are talking about Uzbek and Tajik, things of that sort.

VACANCIES BEING FILLED IN BROADCAST ANALYSIS DEPARTMENT

Now, we were at the time totally cognizant of this potential impact, of these holes that had been created in the BAD structure. So as an interim temporary accommodation pending the recruitment of new people to fill those vacancies, we arranged for these individuals to do double duty. In a sense, they were policemen policing themselves, but they came from the police force in the first instance. Therefore, they came with sensitivity with respect to the policy which is controlling in our broadcasts.

I am pleased to say that most of those holes will have been filled by the end of the month. The remaining ones, which incidentally involve some of our least troublesome and potentially least troublesome services, the Baltic language services, we expect to fill within 3 months. We have the people identified. There is a certain amount of processing and so on. I think that is behind us, but I would go a step further and say from the outset I have been examining how we can enhance the function and capability of BAD as we provide it with the necessary linguistic skills. Furthermore, a year ago I directed the head of the BAD to increase the frequency of outside audits that we, as distinguished from BIB, commission. We have three of them ongoing now. We have set up a schedule so that every one of our 21 languages is reviewed by outside experts at least every 2 years.

So, I believe that the report was reflecting a snapshot of the situation at the time of Mr. Christianson's visit. His concern was real and legitimate, but we were also concerned about it, and the situation is virtually rectified now.

RFE/RL HAS FIRST-HAND KNOWLEDGE OF PROBLEM SITUATIONS

Let me just say as one final thing, and that is that we have on the one hand concerns that have been expressed by a number of sources and that on the other hand we have the first test of the situation as it exists.

BIB periodically makes reports of evaluations of services. The one over which most concern has been expressed has been the Russian language service. We have the most recent review which was issued January 10, 1984. It states in the summary, which I shall be pleased to submit for the record, that the situation has been improved, the quality is better, the questionable items have decreased.

[The information follows:]

A REVIEW OF RADIO LIBERTY'S RUSSIAN BROADCASTS

(FOR THE WEEK OF SEPTEMBER 21 TO SEPTEMBER 27, 1983)

BY

K. A. KERST AND B. M. ZOOK

Summary of Findings

The review of RL's broadcast transcripts and tapes for the week of September 21–27, 1983 revealed that for the most part they did a commendable job of fulfilling the Mission assigned to them, and operating within the Program Policy Guidelines. In particular, the transmissions excelled in carrying out two high priority objectives specified for them—disseminating news objectively and promoting human rights.

The reviewers did find two broadcasts during the week which seemed "inconsistent with the broad foreign policy objectives of the US" as set forth in the Mission and Guidelines statement. One was a historical treatment of the World War II Vlasov movement which, implicitly at least, appeared to promote the idea of overthrowing communist party rule in the Soviet Union. The second was a samizdat (underground publishing) analysis of Soviet reaction to Polish developments which explicitly called for illegal methods and underground activity by the Soviet labor force. These programs were thus inconsistent with the U.S. objective to "assist an orderly process of evolution in the USSR," and contradicted the Guidelines' fourth restraint in Editorial Policy on "Avoidance of any comment or broadcast of any material which could be reasonably construed as incitement to revolt or support for illegal and violent actions."

The current review showed that RL has managed to improve on or eliminate entirely some shortcomings in its work which were noted by previous critical appraisals. In particular, the programming makes a serious effort to fulfill the guidelines regarding the nature of the audience, and takes a reasoned approach to presenting Western values and developments along with the contrary task of commenting on Soviet domestic policy and activity.

In evaluating the individual categories of programs, the reviewers give very high marks to those devoted to news, human rights, and international affairs. The Soviet downing of the KAL civilian flight in the Far East was overexploited in serialization of a historical-fictional novel, which did not seem well suited to the audience and its sensitivities. But this was an exception to otherwise excellent coverage of that event and international news generally.

The programming devoted to Soviet internal developments was not as good. Cultural and nationality affairs received adequate treatment, but attention to internal political and economic issues was sparse, and some not very good.

The technical and linguistic quality of the broadcasts, as reflected on the tapes, was high.

BIB-RFE/RL EARLY AWARENESS OF REPORT'S CONTENT

Senator RUDMAN. Just a quick follow up on that which requires a very short answer. Did you have a chance to discuss Mr. Christianson's report with him?

Mr. SHAKESPEARE. I can answer that, sir. After Mr. Christianson came back from Munich, I spent three hours, a long 3-hour luncheon, with him immediately upon his return. That was before he had written the report but when he was just back.

Of course, when he was in Munich he met with all of the senior management, including Mr. Buckley.

There will be some additional brief comments from Vice Chairman Wattenberg.

Senator RUDMAN. I would love to hear from Mr. Wattenberg.

EFFECT OF REORGANIZATION ON BOARD MEMBERS' FUNCTIONS

Mr. WATTENBERG. Mr. Chairman, let me try to go back in time and try and explain at least what I see has happened.

The Congress, when it passed the Pell amendment, gave those of us on the Board two hats. We are the Board of Directors of Radio Free Europe/Radio Liberty, which is a private corporation that really runs the station, which Jim Buckley is doing in admirable fashion, and we are also the Board for International Broadcasting, whose key function is to serve as a watchdog over that same operation. We were very much in favor of that amendment and want to make it work in every way that we can.

Now, because of the way Washington works, it was not until January of this year that we finally had a complete and very distinguished Board that Frank Shakespeare has told you about. Before that, there were people from the old board, an incomplete board and smaller board. I was program chairman, allegedly overseeing the people who were overseeing the broadcasting of 21 languages of which I speak none.

We have just had a lengthy board meeting, and we have established a program committee that I indicated I am chairman of, that Jim Michener and Michael Novak are on. All of us have pledged to work at this in a serious way because not only the Christianson report but other press reports have indicated there is a problem, the substance of which, I must say, is very difficult to arrive at, but there surely is criticism in the air.

We met yesterday, Michener and Novak and I, with Walter Roberts of the BIB staff and Tony Shub and Jim Critchlow, who are our experts in these field. We have tried to set up a modus operandi so that, as they have been doing, and very well, their watchdog function, any memoranda that have been coming to me will come to all three of us, will be copied to Jim Buckley and will be copied to Frank Shakespeare.

We are trying to set up a loop so that we can wear our Radio Free Europe/Radio Liberty hat and our Board for International Broadcasting hat and be responsive to what the Congress wants in this operation.

It has taken us a while because of late appointments. Jim did not come on board until about a year ago, and it was only a month or so ago that he had an editorial-side assistant, a very able young man from the Detroit News, Christopher Willcox. So we are trying to set up loops within loops to make certain that the full oversight function will be coordinated, cordial, comprehensive and tough-minded. That is what we are trying to do. I think we have made some preliminary steps.

Senator RUDMAN. That is a good complete answer. I thought it was important, rather than ask a bunch of specific questions, to let you give us your views on that point.

NEED FOR NEW TRANSMITTER SITES

I have a few more questions.

Last year, you stated that the Administration had approved, in principle, a plan to build new transmitters at new locations around the world. I would like you to tell us what is going on in that area and what agency takes the lead in the negotiations with other countries.

Mr. SHAKESPEARE. The State Department takes the lead in site negotiations. The building of the transmitters, and even, Mr. Chairman, the financing of transmitters, is not a matter of significant importance. What is important is negotiating with a foreign country to put transmitters on its national territory. That involves a long-term arrangement. Radio Free Europe/Radio Liberty very much needs an improved signal into the south-central part of the Soviet Union. That is the Turkish/Moslem people that I talked to you about. It needs a signal to run from the Ural Mountains east, that is to say to Siberia. We need additional transmitter sites in order to reach these areas more effectively.

The State Department is now in the process, as the lead agency, of negotiating sites. When those negotiations are completed, as we hope that they soon will be, we shall then come to the Congress to request funds to build new transmitters.

RFE/RL, INC.'S OUTSTANDING LIABILITY TO GERMAN PENSION PLAN

Senator RUDMAN. Last year Congress did not fully fund your request. Can you tell us what activities were deferred or cancelled or stepped down because of that?

Mr. SHAKESPEARE. Yes, sir, Mr. Chairman, you reduced our appropriation last year by $4.9 million. We deferred a payment to our German Pension Plan, for which we are liable, in a similar amount of $4.9 million.

I should point out for the record that, while it was possible on a 1-year basis to defer the pension plan payment, the liability, both legal and moral, of the organization to maintain a proper pension plan for its employees is an entire one.

CURRENT FINANCIAL LIABILITIES OF RFE/RL, INC.

Senator RUDMAN. One other question on money, since this is an appropriations hearing: the financial statements indicate a $20.7 million current liability. What are those?

Mr. SHAKESPEARE. The chief financial officer, Arthur Levin, of the Board for International Broadcasting staff is here.

Senator RUDMAN. Would you supply that for the record?

Mr. SHAKESPEARE. Yes; I shall ask him to supply that for the record as a breakdown, if that would be suitable.

Senator RUDMAN. That would be fine.

Mr. SHAKESPEARE. Let me say that we have gone over that annual report in detail and it is my opinion that there is nothing in those liabilities that need give you concern, Senator.

Senator RUDMAN. I didn't think there was. I was just curious about the kinds of liabilities there are. I assume they are the normal liabilities of the business.

Mr. SHAKESPEARE. That is precisely correct, and we will provide that for the record.

[The information follows:]

Following are a breakdown of current liabilities and a detailed breakdown of other liabilities for fiscal year 1983:

RFE/RL, INC.—CURRENT LIABILITIES AS OF SEPTEMBER 30, 1983

[In thousands of dollars]

Accounts payable: Payments due vendors for supplies and materials received	$821
Accrued salaries: Salaries due employees for severance, notice, overtime, shift differential and 13th month bonus	2,320
Accrued vacation: Vacations earned by employees but not taken	2,395
Taxes payable: Payroll taxes due tax authorities	336
Other liabilities	14,805
Total current liabilities	20,677

OTHER LIABILITIES AS OF SEPTEMBER 30, 1983

[In thousands of dollars]

Society for International Broadcasters pension payment	$4,900
Foreign exchange gain due U.S. Treasury (August and September)	2,800
Accrued fiscal year 1983 supplemental items (capital, computers, and security)	1,894
Gloria modernization project	1,000
German pension plan payment	1,500
U.S. pension plan payment	548
Employees' home leave	393
Workmen's compensation, legal	232
Munich housing renovations	218
Pension due retirees	181
Tax refunds due employees	117
Accrued payables—Miscellaneous	1,022
Total other liabilities	14,805

DENIAL OF ACCREDITATION AT 1984 WINTER OLYMPIC GAMES

Senator RUDMAN. One final item I would like your comment and suggestions on.

It is our understanding that Radio Free Europe/Radio Liberty were denied by the International Olympic Committee credentials to cover the 1984 Winter Olympics. I understand that move was probably instigated by the Soviet Union and that a U.S. Representative on the IOC voted for that. Is that correct?

Mr. SHAKESPEARE. Yes, sir, that is correct.

Senator RUDMAN. Who is the American representative on the IOC who cast that vote?

Mr. SHAKESPEARE. He is a man named Julian Roosevelt.

Senator RUDMAN. From where?

Mr. SHAKESPEARE. He is a resident of Oyster Bay in New York. I have not personally met Mr. Roosevelt. The International Olympic Committee is a self-perpetuating body, and it has an executive committee which consists of nine members. Mr. Roosevelt is one of the nine members. When the vote was taken to deny accreditation to Radio Free Europe/Radio Liberty, Mr. Roosevelt voted to deny accreditation to Radio Free Europe/Radio Liberty. It is important to note, Mr. Chairman, that the United States Olympic Committee is a distinct body from the International Olympic Committee, of which Mr. Roosevelt is a member. The United States Olympic Committee is a separate organization which is in charge of all the Olympic activities of the United States of America. It is chaired by the former Secretary of the Treasury, William E. Simon. Bill Simon has been a stalwart in fighting this outrageous action of the International Olympic Committee, and there should be no confusion as to the role of the United States Olympic Committee in this most unfortunate action.

Senator RUDMAN. Was it a unanimous vote?

Mr. SHAKESPEARE. Yes, it was. All nine IOC executive committee members voted against Radio Free Europe/Radio Liberty.

DISTINCT THREAT OF SIMILAR EXCLUSION FROM 1984 SUMMER GAMES

Senator RUDMAN. Now we are coming to the Summer Olympics, which are being held in Los Angeles, which the last time I knew was in California, the United States. Is there any vote on that? Are you planning to cover that?

Mr. SHAKESPEARE. Yes, Mr. Chairman, we of course must cover it. At our Board meeting, which occurred last week, we discussed that topic at considerable length. We intend to make the most serious representations on the whole matter.

I would, at this point, ask Jim Buckley, who negotiated very carefully in Lausanne, to give you his observations on the subject.

SOVIET ATTITUDE TOWARD FREE FLOW OF INFORMATION IS THE OVERRIDING ISSUE

Mr. BUCKLEY. First of all, let me say that the logic for excluding us from Sarajevo could apply wholly to Los Angeles. It is a logic born of the Soviet Union, and it is part and parcel of its broader campaign to restrict the freedom of international broadcasting. They said that what is important is one's nationality, not the quality of the news, and because RFE/RL does not broadcast to citizens of the United States, the IOC executive committee said that we are not eligible to cover the Olympic Games.

Senator RUDMAN. Will Radio Moscow be broadcasting in their English language to North America? I listen to it faithfully every night [laughter]. I do listen to it faithfully every night, usually around 11 o'clock because I find it just fascinating. It is better than anything I can watch on American television [laughter]. Since they broadcast on their North American service to North America and Canada in the English language and the transmitter is located in the Eastern Bloc nation, is that not a direct comparison to what Radio Free Europe does?

Mr. BUCKLEY. Not quite, sir, because Radio Moscow also broadcasts within the Soviet Union.

Senator RUDMAN. I understand that, but it is a separate service. Without that distinction, it doesn't make any difference.

Mr. BUCKLEY. I agree. Your logic is impeccable. The same thing applies to BBC. The Voice of of America is clearly in the same position that we are.

CONGRESSIONAL INTEREST IN NONACCREDITATION ISSUE

Senator RUDMAN. I don't want to pursue this, other than to have it on the record, but if there is anything that you feel the subcommittee or even the full Senate can do, to help what I think is absolutely an outrageous ruling against your organization, we would like to know about it. I don't know exactly how much money we have contributed to the Olympic effort, but this Congress will have appropriated substantial sums of money, mainly for security. So, I take it the American people will be flabbergasted to find that Olympics happening on our own soil could not be covered by Radio Free Europe/Radio Liberty. That might get them more excited than prayer in the schools, though I really doubt that [laughter].

LONGSTANDING EFFORT BY SOVIET BLOC TO DISCREDIT RFE/RL

Mr. BUCKLEY. Mr. Chairman, the Board has a committee to deal with this problem. The one thing that I would urge on the Congress is not to limit its sights only on whether we can cover the Olympics on our own American soil, but to consider the broader implications of what the Soviets are really up to.

Senator RUDMAN. I agree. I am only thinking in terms of a limited way that you are able to cover it this year, and I would expect that if you have any trouble, you would be back in touch with the appropriate people in the Senate.

Mr. SHAKESPEARE. Thank you, Mr. Chairman. We are very appreciative of your touching on that very sensitive point, a point about which, it seems to me, all of us, the citizens of the United States, should be outraged.

SUBMITTED QUESTIONS

Senator RUDMAN. Well, we thank you very much. We may have some questions for the record, which we will leave open until the first of May, and if we have those, we will submit them to you. Thank you for your testimony, and thank you for coming here.

[CLERK'S NOTE: The following questions were not asked at the hearing but were submitted to the Board for response subsequent to the hearing:]

Questions Submitted by Senator Rudman

Status of Current Program Policy Guidelines

QUESTION: A Committee on Foreign Relations staff report recently stated that, "Chairman Shakespeare has tried to get rid of the RFE/RL (Program Policy) guidelines and will very likely propose that the guidelines be changed in order to be less restrictive." Is this true, and if so, why?

ANSWER: The Foreign Relations Committee staff report that states; "Chairman Shakespeare has tried to get rid of the RFE/RL (Program Policy) guidelines...." is incorrect. It is worth noting that no one on the staff asked the Chairman or anyone on the Board if this were the case. The Chairman recently proposed to the Board that after new members have served sufficient time to familiarize themselves with the Radio operations, the Board as a whole should carefully review the program guidelines and other policy directives to make sure they correctly express the will of the Board, which is charged by law with setting policy for the Radios. He suggested that, in the meanwhile, each Board member study the guidelines and directives.

Effect of Reorganization on BIB-RFE/RL Functions

QUESTION: What are the duties of the 84 RFE/RL employees located in New York and Washington?

--Now that the Boards of BIB and RFE/RL have been merged, isn't it duplicative to have two separate staffs?

--If not, how do the functions of each staff differ?

ANSWER: There are currently 91 RFE/RL, Inc. employees in the United States. Of the 40 employees in Washington, 3 assist the Vice President, U.S. Operations; 14 assist the Treasurer and Comptroller in carrying out his financial and administrative duties; 21 work in the Washington News Bureau as reporters, programmers, teletype operators, and studio and sound technicians.

The Vice President, U.S. Operations, acts as the corporate president's representative in Washington, has administrative supervision over the Washington staff, handles the requirements of the corporate board of directors and performs liaison and public affairs functions.

The Treasurer and Comptroller is the corporate fiscal officer responsible for cash management, budgetary planning and control, pension and insurance programs, personnel administration, technical and administrative purchasing, and data processing.

The New York Programming Center (NYPC) has 51 employees, of whom there are 23 language service programmers, 15 studio and technical personnel and 13 administrative staff personnel. Approximately 10% of the RFE/RL total broadcast output is produced by the NYPC, and it is transmitted by satellite to the Munich Broadcast Center.

Before expressing support for the enactment of P.L. 97-241, the new Chairman and Vice Chairman of the Board reviewed all aspects of BIB and RFE/RL operations, including Board and staff structure. Since enactment of the law, we have been guided by the conference report on the legislation, which states:

"The BIB and RFE/RL, Inc. will and must remain very distinct and different institutions. RFE/RL, Inc. is a nonprofit broadcasting corporaton; the BIB is a Federal oversight agency. The task of RFE/RL personnel is to prepare and transmit high-quality broadcasts. The statutory role of BIB is to oversee, assess, and evaluate the quality and effectiveness of those broadcasts in the context of broad U.S. foreign policy objectives, and to assure efficient management of public funds in accordance with legislative mandate.

"The committee of conference raised questions as to how these objectives can be assured when the Presidentially appointed BIB members serve only part-time....Federal oversight of such a complex and politically sensitive enterprise must be continuous...The present BIB staff has maintained that continuity of oversight over the years. It is the expectation of the committee of conference that this indispensable function of the BIB staff -- totally separate from RFE/RL operational management -- will continue to be exercised effectively under the new arrangement."

BIB staff oversight has continued to be exercised effectively in providing the Board with independent judgments of various aspects of RFE/RL performance. The main functions of the individual staff officers, each of whom has top-secret security clearance, are outlined in the answer to the next question.

The RFE/RL Washington office has served both news/programming and limited corporate functions; news and program staff are now being expanded. There is no overlap with BIB staff functions.

QUESTION: The Board for International Broadcasting Act was amended by P.L. 97-241 to reconstitute the membership of the Board and to designate the members of the Board as the board of directors for RFE/RL, Inc.

- How would you assess this new arrangement? Has the role of oversight remained the primary function of the Board? Please describe how the oversight function is being carried out and distinguished from management guidance.

ANSWER: The new arrangement has worked very well. It has enabled the Board to reorganize

RFE/RL management and to work cooperatively to formulate and win Administrative and Congressional support for a major program of facility modernization and program enhancement. Together with obtaining and granting appropriated funds for RFE/RL, Inc., representing RFE/RL within the Executive Branch, making major policy decisions for RFE/RL and designating RFE/RL management, P.L. 93-129 (as amended by P.L. 97-241) authorizes the Board to exercise program, technical and financial oversight of RFE/RL and to report annually to the President and the Congress.

The Board's professional staff conducts such oversight on a day-to-day basis, with the assistance of outside experts.

For example, programs are reviewed on a post-broadcast basis by the Board's Program and Planning/Research Officers through review of daily broadcast summaries and translations provided by RFE/RL; requests for specific evaluations by U.S. missions in the broadcast area; and commissioning of in-depth evaluations of individual language services by recognized authorities in the academic world and elsewhere. These officers also investigate any complaints made about the programs and, through review of Soviet and East European media and reports from our diplomatic posts, advise the Board periodically of relevant political conditions in the audience area. The Planning and Research Officer also maintains a continuous review of RFE and RL audience research.

The Board's Technical Adviser, who has been familiar with RFE/RL technical operations for more than thirty years, reviews RFE/RL daily technical monitoring and studio-utilization reports and monthly reports on technical modernization expenditures; requests on-site monitoring by U.S. missions in the area; and maintains contact with the Voice of America, the Department of Defense and other Federal agencies with broadcast and electronic expertise which may be relevant to improving RFE/RL technical effectiveness.

The Board's Financial Manager reviews RFE/RL monthly financial reports, quarterly foreign-currency reports and progress reports on capital expenditure required by OMB; and acts as the Board's principal liaison with OMB, GSA and the independent public accounting firm that conducts, on behalf of BIB, the annual audit of RFE/RL, Inc.

All these officers, as well as the Executive Director (who directs and supervises their work, regularly communicates their findings and other relevant information to Board members, and maintains the continuous liaison with the Department of State prescribed by Section 6 of P.L. 93-129), have represented the Board on a variety of interagency committees, groups and task forces dealing with overall U.S. international broadcast policy. They have also regularly provided information (including, as warranted, classified information) requested by the National Security Council, the Justice Department, the General Accounting Office, various Congressional committees and individual Members of Congress. They provide Board members, formally and informally, with independent judgments of RFE/RL performance and problems and are responsible for complying on behalf of the Board and RFE/RL with the requirements of various Federal laws (viz., the Foreign Service Act of 1980) and Federal regulations.

The basic distinction between management guidance and oversight is that management guidance precedes the actual broadcasts, while, in accordance with P.L. 93-129, BIB oversight involves independent post-broadcast evaluation of the quality and effectiveness of RFE/RL programs and of the efficient management by RFE/RL of appropriated funds.

Foreign Currency Gains

QUESTION How much have you earned due to currency gains so far this fiscal year?

--What do you anticipate that amount will be for the whole year?

--Are the new adjusted rates for overseas currencies given to you by OMB realistic?

ANSWER: For the period October 1, 1983 through February 29, 1984, RFE/RL, Inc. has realized a gain in the amount of $5,121,762 on foreign currency purchases.

Based upon current and past exchange rates to date in fiscal year 1984, the projected foreign currency gain in fiscal year 1984 is $8.2 million.

As provided by law, the Office of Management and Budget uses the date of November 30 to set budgeted exchange rates for the next fiscal year. OMB has uniformly applied to all Federal agencies dealing in such foreign currencies the fiscal year 1985 exchange rates of 2.72 West German marks, 129.00 Portuguese escudos and 155.20 Spanish pesetas to the dollar.

Board Member Compensation

QUESTION: Please explain the procedures by which your Board members are compensated.

--What was the total cost of Board compensation in fiscal year 1983?

--What do you project the total cost to be in fiscal year 1984?

ANSWER: At the end of each pay period throughout the fiscal year, Board members report to the BIB staff the number of hours each day, as necessary, that were spent in carrying out their official BIB duties and responsibilities (e.g., reading and commenting on report material, attending meetings, travel).

Under the provisions of Section 3 (b)(5) of the Board for International Broadcasting Act of 1973, as amended, (P.L. 93-129, Board members are "entitled to receive compensation equal to the daily equivalent of the compensation prescribed for level V of the Executive Schedule..." The hourly rate for such compensation in fiscal year 1983 was $30.67. The hourly rate for such compesation in fiscal year 1984 since the January 1984 Federal pay raise has been $32.16.

Total compensation costs for the 5-member Board during fiscal year 1983 amounted to $55,887. Projected compensation costs for the 9-member Board during fiscal year 1984 total $148,000.

Questions Submitted by Senator Hollings

Frequency of Board Meetings

QUESTION: Are regular Board meetings held? Are separate meetings held to consider those matters that are clearly related to the management of RFE/RL? Please provide for the record a listing of Board meetings held since the enactment of P.L. 97-241. This list should include the location of the meetings, the participants including the staff, and the major decisions made. In the event that there were no meetings or only a minimal number, would you explain how policy guidance is developed and conveyed to RFE/RL.

ANSWER: Due to the slowness of the Federal appointment, clearance and confirmation process, the full nine-member Board created by the new legislation has been in place only a few months. The first meeting, which was largely organizational, was held January 4 in Washington. Eight of the nine members were present. Four standing committees were established -- executive, program, operations-finance, legislative -- and a schedule of six formal meetings yearly was agreed upon. The second meeting was held March 8 in Washington; all nine members attended. The Directors of RFE and RL were present to present an overview of their operations and permit new Board members to come to know them. Ambassador Leonard Marks reported on the World Administrative Radio Conference deliberations. Under Secretary of State Eagleburger gave his thoughts on developments in the Soviet Union and Eastern Europe. The third meeting will be held in Munich April 15-18 to provide an opportunity for the Board to see the Radios in action, visit the facilities, and, most of all, to talk with diverse employee and management levels. It is proposed to hold the April meeting at the Broadcast Center in Munich every year. This June the Board will hold a joint session in Washington with members of the West European Advisory Commission, a body of distinguished Europeans who counsel privately with RFE/RL, Inc. President James L. Buckley and his key executives on Radio operations. As you can see, the new board is embarked upon a serious and active effort to become knowledgeable about the Radios and thus better able to formulate policy and assess performance. Legally separate sessions of the Board are held on each of these meeting occasions, one as the Federal Board for International Broadcasting exercising its oversight function and one as the private board of RFE/RL, Inc. exercising it management function.

During the transition period before the new Board members were appointed and confirmed, the Chairman and Vice Chairman conferred frequently with RFE/RL personnel in Munich and Washington, as well as informally with the holdover BIB members (all Washington-based) on the numerous occasions the BIB Chairman was in Washington. Formal meetings were held on December 10, 1982 and May 25, 1983. In addition, informal meetings were held August 19, 1982 and April 5, 1983.

Minutes of the various Board meetings are being sent to the Subcommittee under separate cover.

Evaluation of Quality and Effectiveness of RFE/RL Broadcasts

QUESTION: What evaluation practices has the Board or its staff used in the last year to assure that the quality and effectiveness of RFE/RL broadcasts are within the context of the broad foreign policy objectives of the United States and RFE/RL's mission and policy guidance?

ANSWER: The basic evaluation techniques were described in the answer to an earlier question. As part of the ongoing evaluation process, Board staff addressed various memoranda to the Chairman and/or Vice Chairman and communicated other concerns orally. Expert outside evaluations were commissioned of the Russian, Polish, Romanian, Czechoslovak, Hungarian, Bulgarian, Ukrainian, Uzbek and Kazak services. The Board assisted the NSC and State Department in preparing new reporting requirements for our missions in the broadcast area.

BIB Administrative Expenses

QUESTION: The Board's budget presentation for fiscal year 1985 shows that obligations for fiscal years 1984 and 1985 Other Services are $219,000 and $209,000 respectively. What services are included in this category?

ANSWER: The principal items are the annual fee to an independent public accounting firm to examine RFE/RL balance sheets and related financial data and statements; per diem fees for technical consultation services; and contracts for outside evaluations of individual RFE/RL language-service programs. The category also includes payments to General Services Administration for administrative support and to various commercial contractors (less than $500 each).

BIB Personnel Staffing

QUESTION: The personnel compensation for Positions Other Than Full-Time Permanent has shown a substantial increase since fiscal year 1983. What type of services are included in this category? Does this cost represent, in part, the cost of a consulting engineer? How long have you used a consulting engineer in this manner? Is this arrangement in lieu of filling a vacant position on the Board staff? Does the cost for the consulting engineer cover services rendered for other government agencies?

ANSWER: The increase in this category is a direct result of the enactment in August 1982 of P.L. 97-241, which expanded the BIB from five to nine members and broadened its mandate to include direct authority over management as well as oversight responsibilities. (This increase was explained in the FY 1984 budget justification.) With the exception of a part-time personnel assistant, whose level of activity has remained constant over the past five years, the category entirely reflects per diem compensation (at Executive Level V rates) for the Presidentially appointed members of the BIB. Since the enactment of the new legislation, the Chairman and Vice Chairman have been more active in dealing with RFE/RL management in Munich and elsewhere. At the start of fiscal year 1984, seven new members were appointed; six have already been confirmed and since January have been participating in Board meetings and other activities.

Fees for technical consultation services are not included in this category but are included among Other Services. The contract is with a consulting firm, not an individual. This arrangement has enabled the Board to meet its statutory responsibilities for technical oversight while lacking a full-time engineering officer. The cost of these services does not include any services rendered for other agencies, although the services have on occasion included representing BIB in various inter-agency task forces dealing with international broadcast policy affecting BIB and RFE/RL.

RFE/RL Modernization Program

QUESTION: Both RFE/RL and VOA have extensive modernization plans to upgrade existing technical facilities and operations and to establish new facilities. Do these plans include the sharing of any technical facilities, particularly transmitter sites?

ANSWER: Current technical plans of VOA and RFE/RL that specify new transmitting bases are projecting shared facilities in cases where the broadcast service needs of both organizations can be served from one location.

QUESTION: What progress have you made toward securing additional transmitter sites? Once the sites are secured, what are the time frames for making them operational? What alternatives are available, in the event that you cannot secure a site in the Middle East, to improve the broadcast to Kazakhstan and to Soviet Central Asia?

ANSWER: As Mr. Shakespeare testified, intensive diplomatic efforts have been underway with a view toward securing an appropriate site or sites in the Middle East. Once the sites are secured and all necessary technical preparations are completed, we assume that it would take two to three years to bring the new facilities into operation. If no new site can be obtained, only minimal improvement could be expected in current "two-hop" transmissions from RFE/RL sites in Western Europe.

QUESTION: Please provide a status report by project on your modernization program. This report should reflect the original target date and the current estimated completion date, a comparison of the projected versus actual cost, and an explanation of any problems or delays. What steps have been taken to ensure quality control?

ANSWER: On August 18, 1978, an order was placed for four 250-kW transmitters scheduled for eventual installation at the RFE/RL Holzkirchen transmitting facility. Engineering modernization plans for Holzkirchen, in addition to the installation of the four transmitters, specified the installation of four curtain antennae and the performance of other needed technical work. The projected time schedule for this project was 26 months from the time the order was placed for the four transmitters (i.e., August 18, 1978 to October 18, 1980). The installation of four transmitters and the construction of the four curtains were completed by this date. However, on November 27, 1980 a mechanical failure in the fiberglass triatic support system of the newly-built curtain antenna H-11, and a similar failure on December 15, 1980 occurred on the newly-built curtain antenna H-7. These failures caused the planned tuning of the four curtains to be delayed until a complete design review of the mechanical aspects of the curtain antennae could be completed. The needed review was performed by the firm Amman and Whitney, Consulting Engineers. The needed mechanical modification to the four new curtains and the repair and replacement of the components damaged during the November and December failures in curtain antennae H-7 and H-11 caused the effective completion of this project to be delayed by approximately 13 months. These failures caused a cost overrun of $240,000. The total cost of this project was projected to be $5,250,000, and the actual cost was $5,490,000. This represents a cost overrun of 4.57 percent.

On November 18, 1978, an order was placed for seven 250-kW transmitters scheduled for eventual installation at the RFE/RL Gloria transmitting facility. Engineering modernization plans for Gloria, in addition to the installation of the seven transmitters, specified the construction of two new curtain antennae and the performance of the other related needed technical work. Required project completion was estimated to be 31 months. This meant that the project would be completed by June 1981.

Although the seven 250-kW transmitters were installed and became operational on schedule and have been placed in RFE/RL service since then, the installation of the new curtain antennae has been delayed because of several factors. First, the antenna crew at Gloria, scheduled to start work on the new curtains in the fall of 1980, had to be recalled to Holzkirchen to perform the needed repairs on the failed antennae there. This caused a 12-month delay in the estimated completion date of this project (i.e. June 1982). However, vendor delivery delays of the needed towers and accessories for the two new curtains have caused operating delays until the autumn of 1984. The design review of the tower-support system for the new curtain antennae was performed by Amman and Whitney to ensure a quality design.

The amount budgeted for the Gloria project was $9,723,000. Even after absorbing the $240,000 cost overrun at Holzkirchen, we are anticipating to be within budget on this project.

Need for Qualified Research Specialist and Program Supervisors

QUESTION: The Board's 1983 Annual Report stated that there was an ". . .urgent need for more linguistically qualified research specialists and program supervisors with recent Soviet and/or East European experience." Have you met this need? What is the role of the American program supervisors?

ANSWER: Funding to increase RFE/RL staff by 75 positions was provided in the fiscal year 1984 appropriation. Recruitment of linguistically qualified research specialists is currently underway. However, the Board and Radio management will be reviewing further staffing needs in the near future. Now that the full nine-member Board has begun functioning, we expect that an in-depth discussion of the role of various supervisors will be conducted. Such a discussion would address such questions as whether American program executives should concentrate on guiding and enriching program input, or should also review scripts before broadcast.

Compliance with Established Program Policy Guidelines

QUESTION: As RFE/RL accelerates the rejuvenation of its language staff, what steps are being used to assure compliance with established program policy guidance? Are funds being requested to provide for training of new staff and to provide for increased in-house program reviews?

ANSWER: Planning is currently underway to establish a systematic program of training and orientation for all new employees, particularly those assuming direct broadcasting responsibilities. The program would include a mandatory orientation seminar designed to familiarize new staff with RFE/RL Program Policy Guidelines and The Mission of Radio Free Europe and Radio Liberty Broadcasts and the functions of each of the broadcasting and support units. The program would supplement instruction in these areas by RFE/RL news and programming directors, chief editors and senior management. Funds have been requested for a comprehensive program of recruitment, rejuvenation and training, as well as increased in-house program reviews.

Projected Costs for Contracted Services

QUESTION: How much does BIB plan to spend in FY 1984 for contracted services? How much does RFE/RL plan to spend in FY 1984 for contracted services? What are the projections for FY 1985?

ANSWER: The BIB plans to spend $265,000 for contracted services in fiscal year 1984. RFE/RL, Inc. plans to spend $3,190,000 for contracted services in fiscal year 1984.

Fiscal year 1985 projections for such expenditures by the BIB and RFE/RL, Inc. are $209,000 and $3,543,000 respectively.

SECURITIES AND EXCHANGE COMMISSION

STATEMENT OF JOHN S. R. SHAD, CHAIRMAN

ACCOMPANIED BY:
GEORGE G. KUNDAHL, EXECUTIVE DIRECTOR
LAWRENCE H. HAYNES, COMPTROLLER

BUDGET REQUEST

Senator RUDMAN. Our next request is that of the Securities and Exchange Commission. The amount requested is $104,683,000, an increase of $10,363,000 and 21 positions over the 1984 base.

Appearing on behalf of this request is John S. R. Shad, Chairman of the SEC.

Mr. Shad, we will be pleased to hear your statement with regard to this request. You are also welcome to introduce those at the table with you.

Mr. SHAD. Thank you, Mr. Chairman. On my right is George Kundahl and on my left is Larry Haynes.

The Securities and Exchange Commission appreciates this opportunity to present its 1985 budget request of $104,683,000, which is an 11-percent increase over the current appropriation, adjusted for the pending $1,320,000 supplemental pay increase. The $10.4 million net increase includes the following items: $3.1 million to support the electronic filing system; $2.8 million in mandatory pay and personnel benefit costs; $1.8 million in automated data processing support; $1.7 million in space rental and rate and price increases; and $1 million in other expenses.

INVESTOR PROTECTIONS

The SEC is charged with the protection of investors and the maintenance of fair and orderly markets. These mandates are discharged through the SEC's public disclosure, enforcement and regulatory oversight functions, which facilitate the formation, mobility and efficient employment of capital.

In fiscal year 1983, investor protections were increased, and unnecessary corporate paperwork and other expenses were reduced—by hundreds of millions of dollars per annum—for the ultimate benefit of shareholders.

As a result of productivity improvements, the Commission's major divisions have achieved record results, or the highest levels in several years, in each of the last 2 fiscal years, despite personnel reductions.

For example, by comparison with fiscal 1981, in fiscal 1983: 37 percent more enforcement cases were brought; 28 percent more investment company and adviser inspections were conducted; 16 percent more broker-dealer reports were processed; and 15 percent more full disclosure filings were handled; than in fiscal 1981, despite a 3-percent reduction in personnel.

As a result of the record volume of trading and financings and new tender offer fees, fiscal 1983 fees amounted to 110 percent of the Commission's appropriation. Fiscal 1984 fees are estimated at over $111 million or 118 percent of the appropriation and fiscal 1985 fees at over $119 million or 114 percent of the requested appropriation.

BUDGET FOR ELECTRONIC SYSTEMS

The 1985 budget includes $3.1 million to support the Commission's electronic filing, processing and information dissemination system. A staff task force was formed and a feasibility contract let last year to initiate a pilot operation next September. The objectives are to accelerate the dissemination of corporate information to investors and securities analysts and to reduce the time and expenses of investors, issuers and the SEC.

As corporations file such information electronically with the Commission, investors and analysts will be able to access it instantly on home and business computer screens. They will also be able to: display current comparative price-earning, yield and other data on securities; instantly refine such lists by industry, corporate size, markets and other classifications; display the latest SEC filings, annual and interim reports of those companies in which they are interested or that appear to be the most undervalued; price their portfolios to the market at any time; maintain running totals of their dividends, as well as realized and unrealized capital gains and losses; and enter orders with their brokers directly on their own computer terminals and receive confirmations.

The securities field is just ideally suited to the utilization of electronic facilities and the Commission is far behind the industry in this area. The senior staff members are the ones who are initiating and helping carry through this dramatic updating and getting the SEC to a level of technology with the securities industry.

The rest of my statement I would like to have incorporated.

Senator RUDMAN. That will be fine.

[The statement follows:]

PREPARED STATEMENT OF HON. JOHN S. R. SHAD
CHAIRMAN
SECURITIES AND EXCHANGE COMMISSION

Chairman Laxalt and Members of the Subcommittee:

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- instantly refine such lists by industry, corporate size, markets and other classifications;
- display the latest SEC filings, annual and interim reports of those companies in which they are interested or that appear to be the most undervalued;
- price their portfolios to the market at any time;
- maintain running totals of their dividends, as well as realized and unrealized capital gains and losses;
- and enter orders with their brokers directly on their own computer terminals and receive confirmations.

Hard copy can be obtained on accessory print-out equipment.

The electronic system is also intended to reduce transcription and oral communication errors and to accelerate the SEC's identification and processing of filings which require detailed reviews. Software programs will permit the rapid analysis of filings and the production of comment letters. The results for the Commission will be shorter review times and enhanced productivity.

The accelerated processing of filings will also expedite billions of dollars of financings annually; and the instant accessability of corporate information to investors and securities analysts will increase the efficiency of the nation's securities markets. The pilot operation will be tested and debugged for a year or more. Industry-wide implementation is intended to coordinate with the growth of home computers - from 5 million today to over 50 million within five years.

Computerization

Electronic filing is part of the Productivity Innovation by Computer program initiated during the past year. A number of programs are underway:

- The on-line Broker-Dealer System, which permits electronic broker-dealer filings, is being expanded to include investment companies and advisers. This will speed staff reviews within the Commission and in the field.
- The Name Relationship Search System is being expanded to integrate all major SEC information systems, which will accelerate investigations.
- Portable microcomputers are being increasingly used to conduct on-site broker-dealer and investment adviser examinations.
- The Commission's internal payroll and property inventory system will be completely automated by the end of 1985.

Review of Corporate Filings

In 1985, the Commission will add staff to accelerate filings reviews and reduce corporate financing delays. Quick, thorough reviews of initial public offerings are important, because the public has the least information on companies entering the market for the first time. Additional staff will also be used to expand the review of annual reports, which have assumed greater importance under the integrated disclosure system.

1983 Results

During the past year, the Commission reduced corporations' unnecessary paperwork and other expenses by hundreds of millions of dollars per annum, for the benefit of their shareholders, through interest and other savings on financings under the shelf registration rule, the expanded institutional book-entry delivery system, the updated Options Clearing Corporation deposit requirements, and simplification of proxy statements, investment company prospectuses and the private financing registration exemptions.

Fiscal 1984-5

Additional projects, currently underway include:

- Legislative and administrative initiatives based on recommendations of the SEC Advisory Committee on Tender Offers and the Vice President's Task Group on the Regulation of Financial Services;
- Development of uniform disclosure requirements for limited partnerships and joint ventures;
- Simplification of registration forms for securities issued in mergers, separate accounts of insurance companies, unit investment trusts and closed-end investment companies; and
- Most important, phasing in the electronic filing system.

Conclusion

In conclusion, the Commission is looking forward to major improvements in the regulatory structure of the financial services industries and the exciting potential of high speed electronic filing, processing and dissemination of corporate information.

Thank you.

SECURITIES AND EXCHANGE COMMISSION
COMPREHENSIVE BUDGET STATEMENT
FISCAL 1985

SALARIES AND EXPENSES

1984 appropriation	$ 93,000,000
Supplemental pending for January, 1984 pay raise	1,320,000
1984 revised estimate	94,320,000
Proposed increase	10,363,000
Proposed 1985 appropriation	$104,683,000

APPROPRIATION LANGUAGE
SECURITIES AND EXCHANGE COMMISSION
SALARIES AND EXPENSES

For necessary expenses for the Securities and Exchange Commission, including services as authorized by 5 U.S.C. 3109, and not to exceed $2,000 for official reception and representation expenses, [$93,000,000] $104,683,000.

(60 Stat. 810; 5 U.S.C. 551-59, 601-12, 701-06, 1305, 3105, 3109, 3344 5362, 7521; 11 U.S.C. 101-151326; 15 U.S.C. 77a-77bbbb, 78a-78kk, 78aaa-111, 79-79z-6, 80a1-80a52, 80b1-80b21; 44 U.S.C. 3501-3520; Pub. L. No. 96-433; Pub. L. No. 96-477; Pub. L. No. 97-303; Pub. L. No. 97-444).

U.S. SECURITIES AND EXCHANGE COMMISSION

ACTUAL COSTS FOR 1983, PROGRAM FOR 1984, AND ESTIMATE FOR 1985

	1983 Actual		1984 Estimate		1985 Estimate	
	Positions	Aggregate of Salaries	Positions	Aggregate of Salaries	Positions	Aggregate of Salaries
FULL DISCLOSURE						
Corporation Finance	263		265		281	
Applications and Reports Services	66		66		68	
Chief Accountant	24		24		24	
Consumer Affairs and Information Services	29		29		29	
Information Systems Management	0		0		3	
Regional Offices	64		72		72	
Sub-Total	446		456		477	
PREVENTION AND SUPPRESSION OF FRAUD						
Enforcement	189		191		195	
Applications and Reports Services	13		13		13	
Consumer Affairs and Information Services	12		12		12	
Regional Offices	425		427		427	
Sub-Total	639		643		647	
REGULATION OF SECURITIES MARKETS						
Market Regulation	135		135		131	
Applications and Reports Services	12		12		12	
Information Systems Management	6		6		6	
Regional Offices	111		111		111	
Sub-Total	264		264		260	
PUBLIC UTILITY HOLDING COMPANY REGULATION						
Public Utility Regulation	21		21		21	
Sub-Total	21		21		21	
INVESTMENT MANAGEMENT REGULATION						
Investment Management	97		97		97	
Applications and Reports Services	19		19		19	
Regional Offices	84		84		84	
Sub-Total	200		200		200	
LEGAL SERVICES						
General Counsel	87		90		90	
Opinions and Review	6		6		6	
Administrative Law Judges	10		10		10	
Corporate Regulation	10		0		0	
Regional Offices	30		23		23	
Sub-Total	143		129		129	
ECONOMIC & STATISTICAL RESEARCH						
Office of the Chief Economist	7		7		7	
Directorate of Economic & Policy Analysis	35		35		35	
Sub-Total	42		42		42	
PROGRAM DIRECTION						
Executive Staff	38		38		38	
Secretary	21		21		21	
Executive Director	16		16		16	
Comptroller	29		29		29	
Personnel	28		28		28	
Information Systems Management	62		62		62	
Administrative Services	64		64		64	
Public Affairs	8		8		8	
Sub-Total	266		266		266	
HEADQUARTERS TOTAL	1,307		1,304		1,325	
REGIONAL OFFICE TOTAL	714		717		717	
GRAND TOTAL - AUTHORIZED	2,021		2,021		2,042	
Permanent Annual Salary Rate		$64,034,414		$67,747,395		$69,618,421
Less: Savings (Lapse)	-122	2,300,212	-140	4,822,995	-129	3,738,521
Cost of Permanent Positions	1,899	$61,734,202	1,881	$62,924,400	1,913	$65,879,900
Cost of Temporary Positions	22	299,283	20	388,000	20	393,000
Overtime and Holiday Pay		325,253		354,000		356,500
Other - Awards		255,173		275,000		275,000
TOTAL COST OF SALARIES AND STAFF YEARS	1,921	$62,613,911	1,901	$63,941,400	1,933	$66,904,400
OTHER EXPENSES:						
Personnel Benefits		$ 6,551,064		$ 7,149,400		$8,185,200
Benefits to Former Employees		198,228		185,800		225,800
Travel and Transportation of Persons		2,251,178		2,458,000		2,665,800
Transportation of Things		38,584		57,000		72,000
Communications and Rental		11,329,501		12,452,400		13,971,800
Printing and Reproduction		1,093,240		1,163,900		1,221,900
Other Services		3,073,635		4,389,400		7,916,500
Supplies and Materials		1,296,779		1,439,700		1,669,600
Equipment		1,006,533		1,083,000		1,600,000
Claims and Indemnities		83,500		---		250,000
SUB-TOTAL, OTHER EXPENSES		$26,922,242		$30,378,600		$37,778,600
Total Expenses		$89,536,153		$94,320,000		$104,683,000
Actual Savings		153,847		-		-
TOTAL APPROPRIATION OR ESTIMATE		$89,690,000		$94,320,000 1/		$104,683,000

1/ Includes $1,320,000 for a pay increase supplemental appropriation.

SUMMARY OF CHANGES

The Commission's budget request for 1985, as approved by the President, provides for an increase of 21 permanent positions and $10,363,000 from the adjusted 1984 funding level. The following table displays the requested budget changes. A narrative explanation of each item follows:

	1985 Request		
	Positions	Staf[illegible] Years	$(000)
Summary of Changes:			
1984 - Appropriation provided by Public Law 98-166. . .	2,021	1,901	$93,000
OMB proposed pay increase and Social Security supplemental	—	—	1,320
Adjusted 1984	2,021	1,901	$94,320
1985 -			
A. Adjustments to base and built-in changes:			
1. Mandatory salary and personnel benefits . . .	—	—	$ 1,487
2. Annualization of 1984 pay supplemental. . . .	—	—	1,315
3. Automated data processing support	—	—	1,774
4. Rental of Space (SLUC).	—	—	883
5. Rate and price increases.	—	—	787
6. Equal Access to Justice Act	—	—	250
7. Employee moving expenses mandated by Public Law 98-151	—	—	212
8. Travel.			150
Total Base Changes	—	—	$ 6,858
B. Program Changes:			
1. Full Disclosure	—	11	$ 440
2. Electronic Filings	21	21	3,065
Total Program Changes	21	32	$ 3,505
Total Changes	21	32	$10,363
1985 - Appropriation Request	2,042	1,933	$104,683

A. Summary explanation of adjustments to base and built-in changes

1. There are five mandatory pay and benefit changes in FY-1985.

   a. Within-grade increases required by 5 U.S.C. 5335 and related merit pay pool costs will require $973,400. These expenses are calculated on a person-by-person basis and are in conformance with Office of Personnel Management policy.

   b. FY-1985 has one work day more than FY-1984 which will require salary and benefit expenses of $276,100.

   c. The Social Security Amendments of 1983 (P.L. 98-21) require that Federal agencies pay Old-Age Survivors and Disability Insurance benefits for executive service employees and employees new to the Federal government beginning January 1, 1984. The annualized FY-1985 cost is $256,600.

   d. Cost savings from an OMB management directive to replace two percent of GS-11 through 15's with GS-10's and below is estimated at $240,000.

e. Health benefit contributions are negotiated annually by the Office of Personnel Management pursuant to 5 U.S.C. 8902. FY-1985 costs are expected to increase by $221,000.

2. Represents salary and benefit expenses needed to fund the full January 1984, pay increase.

3. Automated data processing funds are required to:

   a. Support ongoing data processing systems, update existing administrative support systems, increase the speed of interactive processing and train personnel in microcomputer technology ($893,900);

   b. Continue to upgrade office automation through the purchase of word processors and optical scanners ($291,600); and,

   c. Develop technology for increased staff productivity through computer assisted research, evidence tracking, and enhanced investigation and examination capabilities ($588,500).

4. The request for rental of space covers higher costs identified by the General Services Administration which are offset to some degree by savings from Commission initiatives to reduce space requirements.

5. Rate and price increases have been imposed upon the Commission related to:

   a. Unemployment Compensation for Federal Employees (P.L. 83-767);

   b. General Services Administration local and long-distance telephone rate and line charges;

   c. Government Printing Office and private contractor printing expenses;

   d. Airline fares;

   e. Equipment rental and maintenance costs;

   f. Library material costs;

   g. Training expenses; and,

   h. Relocation costs for two regional offices.

6. The Equal Access to Justice Act (P.L. 96-481) requires Federal agencies to pay attorneys' fees and other expenses awarded under specified circumstances to individuals and certain small businesses and organizations that prevail as parties in administrative proceedings and civil actions brought by or against the Federal government.

7. Public Law 98-151 mandates higher reimbursement rates for the subsistence, real estate and miscellaneous moving expenses caused by the relocation or Federal employees. These higher rates are estimated to cost $212,000.

8. Increased travel expenses are required in the Prevention and Suppression of Fraud program to offset the increasing cost of nationwide litigation and investigation activities.

B. Summary explanation of program changes

1. Eleven staff years and $440,000 for salaries and benefits are included in the FY-1985 estimate to increase the amount of staff time available for Full Disclosure activities. The additional staff time will be primarily used to increase the speed of the Commission's review of initial public offerings. These offerings represent a new company's

entry into the capital markets and require extensive review to ensure investor protection.

2. Twenty-one positions and $3,065,000 for salaries, benefits and contractual services are included in the FY-1985 estimate to support the electronic filing system. This project will automate the process by which companies file with the SEC, the method by which that information is disseminated to the public, and the way the Commission reviews and analyzes those filings.

Full Disclosure

Program Summary

Organizations	FY 1983 Actual Staff Years	FY 1983 Actual Cost (000)	FY 1984 Estimate Staff Years	FY 1984 Estimate Cost (000)	FY 1985* Estimate Staff Years	FY 1985* Estimate Cost (000)
Corporation Finance	247.9		246.0		273.6	
Consumer Affairs and Information Services	28.1		27.8		27.8	
Applications and Reports Services	61.6		59.0		61.0	
Chief Accountant	18.6		20.7		20.7	
Information Systems Management	—		--		3.0	
Regional Offices	55.2		60.2		62.3	
Sub-Total, Salaries and Benefits	411.4	$14,757	413.7	$15,339	448.4	$17,199
Non-Personnel Expenses		3,869		4,598		7,911
Total Program Cost		$18,626		$19,937		$25,110

*Includes Electronic Filing; see following tab.

The Full Disclosure Program provides investors with material information and inhibits fraud in the public sale, voting and trading of securities. It operates in a securities market environment where, for the first 11 months of calendar 1983, more than $925 billion of non-debt securities traded on exchanges and the total value of securities registered with the SEC under the 1933 Securities Act (1933 Act) exceeded $222 billion.

Under the integrated disclosure system, issuers incorporate by reference their annual Form 10-K's and other materials when registering new securities for public distribution. The integrated disclosure system has increased issuers' financing flexibility and reduced their expenses by well over $350 million. The foundation of this system is the effective review of Form 10-K annual reports, which ensures the accuracy of the information the securities markets demand on a continuing basis. The quick, effective SEC review of initial public offerings (IPO's) is also critical, since the market has the least information about those companies entering the market for the first time. For 1935 the program is requesting an 11.6 staff year increase to provide timely review to 90% of the IPO's filed and to 17% of the expected 9,100 annual 10-K's. This increase will improve corporate access to the market while ensuring that the financial markets have the sound base of information that they need to operate efficiently.

To further boost the markets' efficiency, the Commission will be embarking on an electronic system for filing, reviewing and disseminating the information it receives, which is discussed fully at the following tab, Electronic Filing.

The program's emphasis on assisting small business and first-time filers carries through strongly to its regional office staff, slated to increase 13% in 1985 over 1983. This enhancement will be used by regional staff to process Form S-18 registrations, a short-form filing under the 1933 Act that is used by small business, many of which are IPO's. The SEC foresees greater use of the Form S-18 due to the economic recovery and the Commission's amendments to the form, which, as of March 1984, will increase its availability from offerings of $5 million to offerings of $7.5 million.

Electronic Filing

Project Summary

	FY 1983		FY 1984		FY 1985 1/	
	Actual		Estimate		Estimate	
Organizations	Staff Years	Cost (000)	Staff Years	Cost (000)	Staff Years	Cost (000)
Corporation Finance	--		--		16.0	
Information Systems Management	--		--		3.0	
Applications and Reports Services					2.0	
Sub-Total, Salaries and Benefits	--	--	--	--	21.0	$ 565
Non-Personnel Expenses						$2,500
Total Program Costs						$3,065

1/ Included in Full Disclosure Program Summary

The electronic filing pilot project is designed to provide a computerized system that will accommodate the filing, processing, and dissemination of full disclosure filings. Over the past years, the volume of full disclosure filings has been increasing, and, in the 1984-1985 period, the SEC anticipates approximately 85,000 of these filings annually. Currently made in hard copy, the filings are expensive to prepare and costly for the Commission to review and maintain for public reference.

With electronic filing, companies will be able to transmit full disclosure filings to the Commission by using computer terminals in their own offices or by sending magnetic tapes to the Commission. Transmissions or tapes will be received centrally and forwarded to automated workstations in the Division of Corporation Finance and to the public reference room. At the workstations, examiners will use software programs to analyze the filings and generate comment letters. Electronic filing will produce substantial savings for filers and the SEC. Elimination of paper copies is expected to generate a savings to filers of $25 million annually. Use of the computer will shorten the Commission's review time and enhance examiner productivity. One result will be earlier effective dates for filings, adding billions to the investment capital in circulation. Electronic filing will provide for more timely dissemination of filings to investors, reduce the Commission's costs associated with maintaining filings, and speed the delivery of filing fees to the Treasury.

A major impact of the electronic filing system will be to improve the availability of this information to the individual investor. Ultimately, the investor, through home computers, will be able to instantly access and review SEC filing data. This should act to broaden the market's base of shareholders and increase market efficiency.

Prevention and Suppression of Fraud

Program Summary

	FY 1983		FY 1984		FY 1985	
	Actual		Estimate		Estimate	
Organizations	Staff Years	Cost (000)	Staff Years	Cost (000)	Staff Years	Cost (000)
Enforcement	182.5		180.0		184.4	
Consumer Affairs and Information Services	10.9		10.8		10.8	
Applications and Reports Services	12.0		11.6		11.6	
Regional Offices	404.7		401.9		402.2	
Sub-Total, Salaries and Benefits	610.1	$23,101	604.3	$23,822	609.0	$24,977
Non-Personnel Expenses		$ 7,378		8,326		9,710
Total Program Costs		$30,479		$32,148		$34,687

The Prevention and Suppression of Fraud Program is instrumental to the Commission's efforts to foster strong and fair securities markets. The program helps ensure investor confidence in the stability and integrity of the nation's securities markets by preventing the illegal distribution of securities, fraud and manipulation in the purchase and sale of securities, and other conduct unlawful under federal securities laws. Investor confidence is crucial to capital formation, a cornerstone of national economic recovery.

The rapid growth of the securities industry since 1979 has dramatically increased the demands placed upon this program, which accounts for approximately one-third of the Commission's total resources. Over the past five years, the volume of shares traded on the New York Stock Exchange has increased by 149% and the volume of shares traded over-the-counter by 336%. Over this same period, the number of registered broker-dealers has increased by 47% and the number of registered investment companies by 45%.

During 1983, the Commission continued to enforce the federal securities laws aggressively. The Commission filed 151 civil injunctive actions in 1983, compared with 136 in 1982 and 115 in 1981. The injunctive actions initiated during 1983 named 416 defendants. The Commission also instituted 94 administrative proceedings, compared with 106 in 1982 and 72 in 1981. There were 189 respondents named in these proceedings during 1983. There were also 14 civil or criminal contempt proceedings prosecuted during 1983, compared with 9 during 1982. In addition, the Commission issued two reports of investigation in 1983 pursuant to Section 21(a) of the Securities Exchange Act of 1934 (Exchange Act), including one special report concerning the silver crisis of 1980.

In 1985, continued emphasis will be placed on efforts to combat fraud by reporting companies, violative conduct on the part of regulated entities, such as broker-dealers, investment companies and investment advisers, and insider trading. The program will continue to monitor changes in corporate control through tender offers and proxy contests.

Supervision and Regulation of Securities Markets

Program Summary

	FY 1983		FY 1984		FY 1985	
Organizations	Staff Years	Cost (000)	Staff Years	Cost (000)	Staff Years	Cost (000)
Market Regulation	120.2		118.4		114.4	
Information Systems Management	4.9		4.9		4.9	
Applications and Reports Services	12.0		11.6		11.6	
Regional Offices	110.9		110.9		110.9	
Sub-Total, Salaries and Benefits	248.0		245.8		241.8	
		$9,006		$9,269		$9,491
Non-Personnel Expenses		2,827		3,087		3,523
Total Program Cost		$11,833		$12,356		$13,014

Ensuring fair, orderly and efficient trading markets, as required by law, has been a formidable mission in recent years. The secondary securities markets have greatly expanded in volume and complexity and maintenance of public confidence in these markets to facilitate capital formation has never been more vital as a national objective. All indicators of market activity for the past five years are up sharply--stock exchange share volume has increased by 218%, over-the-counter share volume has risen 477%, and exchange stock option contract volume has grown 111%. Thrift institutions have moved to diversify their activities to include general securities services that are subject to the Commission's regulatory jurisdiction. Market volume for new or unusual products--e.g., options on debt instruments and market indices--has also grown at an accelerated rate. The accompanying growth of the regulated professional population has been similarly impressive.

The market regulation program has given emphasis in 1983 and 1984 to (1) reducing regulatory burdens to minimize the costs associated with access to the capital markets, (2) placing greater reliance on self-regulatory initiatives to develop more efficient trading, surveillance and settlement systems, and (3) maintaining Commission oversight of those initiatives. Significant progress in those areas was made in 1983. As a result, savings to industry (and ultimately public investors) amounting to hundreds of millions of dollars have already been achieved.

The Commission expects to continue its top priority objectives in 1985, achieving further reductions in industry and investor costs, increasing the depth of Commission oversight of the self-regulatory organization (SRO) programs, and maintaining a presence in the marketplace. Even with continued market expansion, the 1985 rate of progress will be largely maintained at the 1983/84 pace in view of the more effective targeting of available resources by simplification and clarification of regulatory controls, the reduced role of the SEC relative to the SRO's, and productivity gains resulting from increased use of automation in oversight and inspection functions. This projection does not take into account, however, the important resource impacts if pending legislative proposals expand SEC responsibilities concerning the securities activities of banks and other financial institutions.

Public Utility Holding Company Regulation

Program Summary

Organization	FY 1983 Actual Staff Years	FY 1983 Actual Cost (000)	FY 1984 Estimate Staff Years	FY 1984 Estimate Cost (000)	FY 1985 Estimate Staff Years	FY 1985 Estimate Cost (000
Public Utility Regulation	17.0		17.2		17.2	
Sub-Total, Salaries and Benefits	17.0	$642	17.2	$705	17.2	$734
Non-Personnel Expenses		170		191		223
Total Program Cost		$812		$896		$957

The Securities and Exchange Commission is responsible for regulating interstate public utility holding companies engaged in the electric utility business or in the retail distribution of gas. As required by the Public Utility Holding Company Act of 1935 (the Act), the Commission must ensure that these companies operate as functionally integrated utility systems with sound financial structures. Because of stabilization in the public utility and investment banking industries, the accounting profession, state utility regulation, and securities disclosure requirements, the Commission in 1981 recommended repeal of the Act. In June 1983, the Commission, while still favoring repeal, endorsed a bill to substantially amend the Act. Until Congress takes definitive action, the Commission must perform its responsibilities as defined by the existing legislation.

The Commission continues to regulate a sizable segment of the utilities industry. As of December 31, 1983, the assets of registered electric and gas utility systems are estimated to represent 17.1% and 11.4% of the total assets of their respective industries. These same companies also had operating revenues representing 21.6% and 7.9% of the total operating revenues for their industries.

During fiscal 1983 this program realized an estimated $13 million in savings to investors and consumers. This savings has been achieved largely through reviews and audits that have recommended changes in financing terms, credits to operating companies for sub-leasing rentals, reductions in the cost of coal to consumers, and the shutdown of uneconomical programs.

In the nearly 50 years since the inception of this program, most utility companies have either reorganized to be exempt from registration or have been removed from the jurisdiction of the 1935 Act because their operations are now effectively regulated by state authorities. For the remaining 13 systems coming under the jurisdiction of this program, the Commission continues to examine annual and periodic reports and evaluate filings regarding important financial transactions and business decisions. Registered companies frequently face problems of financing, revenue stability, and economic growth, generating capacity and fuel shortages. As companies seek solutions to these problems, demands are placed on the Commission to evaluate the legality of their activities. For this reason, in FY 1985 the Commission will expend over 80% of the staff years allocated to this program on reviewing financial filings.

Investment Management Regulation

Program Summary

Organizations	FY 1983 Actual Staff Years	FY 1983 Actual Cost (000)	FY 1984 Estimate Staff Years	FY 1984 Estimate Cost (000)	FY 1985 Estimate Staff Years	FY 1985 Estimate Cost (000)
Investment Management	89.8		90.0		90.0	
Applications and Reports Services	18.4		17.4		17.4	
Regional Offices	77.0		76.4		76.4	
Sub-Total, Salaries and Benefits	185.2	6,837	183.8	6,992	183.8	7,280
Non-Personnel Expenses		1,846		2,074		2,431
Total Program Cost		8,683		9,066		9,711

The Investment Management Regulation Program strives to achieve investor protection in the investment company (IC) and investment adviser (IA) industries without imposing undue costs and burdens on regulated entities. Its principal activities are disclosure, regulation, and inspections.

Disclosure: Investment company disclosure is mandated by statute to ensure that investors receive complete and accurate information concerning investment policies and operational structure. Because most funds continuously sell their shares to investors, investment companies must update their registration statements annually by filing post-effective amendments. Due to heavy workload, the Commission has implemented selective review procedures with respect to all disclosure documents. For 1985 the staff expects to review and comment on 1,130 registration statements filed by new IC's and review over 1,400 post-effective amendments. The staff will also process 15,125 registration statements, amendments, and annual reports filed by IA's.

Regulation: The interpretation of statutes and formulation of rules are carried on continuously to provide investor protection, reduce burdens and costs to the industry, and facilitate legitimate activities by registrants. Because the IC and IA industries reflect the continuing evolution of the nation's financial markets, questions concerning the applicability of the statutes and rules to new financial instruments or methods of operation arise frequently. Exemptive orders permit flexibility by removing unnecessary statutory barriers. It is projected that twenty new rule proposals aimed at simplifying or eliminating existing requirements will be issued in 1985. Work will also be completed on rules concerning adviser recordkeeping and the exchange of open-end IC shares at other than net asset value.

Inspections: Inspections of investment and operational activities of IC's and IA's are conducted to determine whether such activities follow disclosure in the prospectus and registration statement and comply with the provisions of the regulatory statutes. The deterrent effect produced by these examinations is vital to the program's success. Registrants' knowledge that unannounced inspections might identify deficient activities that could lead to enforcement actions serves to deter abuses by these entities and minimizes the risk and loss to investors. To accommodate the growing number of IC's, the staff will adopt inspection procedures which in 1985 focus on the review of systems used by all funds in a complex rather than on specific funds. It is estimated that 500 IC and 760 IA inspections will be completed.

Legal Services

Program Summary

Organizations	FY 1983 Actual Staff Years	FY 1983 Actual Cost (000)	FY 1984 Estimate Staff Years	FY 1984 Estimate Cost (000)	FY 1985 Estimate Staff Years	FY 1985 Estimate Cost (000)
General Counsel	85.1		86.7		87.4	
Opinions & Review	5.6		6.0		6.0	
Administrative Law Judges	9.9		10.0		10.0	
Corporate Regulation	10.4		2.1		—	
Regional Offices	26.8		20.3		18.3	
Sub-Total, Salaries and Benefits	137.8	$5,453	125.1	$5,271	121.7	$5,354
Non-Personnel Expenses		$1,375		$1,439		$1,662
Total Program Cost		$6,828		$6,710		$7,016

Most of the changes in resources for this program result from a change in the emphasis of the bankruptcy program and the inclusion of this function under the General Counsel.

This program will provide legal and adjudicatory support to the Commission in 1984 and 1985 through the following three activities:

General Counsel: The rapid development of the financial services industry will continue to require legislative and administrative responses. To that end, the Office of the General Counsel will perform major studies of financial futures and options and the regulation of margins, support implementation of recommendations of the Vice President's Task Group on Financial Regulation (and the proposed Financial Institutions Deregulation Act, if enacted) and organize another major issues conference. The number of appellate actions from the growing enforcement caseload is expected to increase. The O'Brien v. SEC decision, which adversely affects the Commission's fraud program by requiring that targets of its investigations be informed, will require substantial General Counsel resources when appealed to the Supreme Court. Finally, the General Counsel will continue to administer the Commission's non-securities statutes. Workload generated by the Freedom of Information Act, Right to Financial Privacy Act, and Ethics in Government Act has remained heavy.

Administrative Proceedings: The workload of the administrative law judges will continue at its current level as the use of administrative remedies remains an effective tool in enforcing federal securities laws. A slight increase in the number of appeals to administrative decisions is expected, impacting the Office of Opinions and Review. This increase reflects the growth in the kinds of decisions that may now be appealed to the Commission.

Corporate Reorganization: On December 22, 1983, the Commission voted to redefine the Commission's role in corporate bankruptcies and to transfer management of the program from the Division of Corporate Regulation to the Office of the General Counsel.

Economic and Statistical Research

Program Summary

Organizations	FY 1983 Actual		FY 1984 Estimate		FY 1985 Estimate	
	Staff Years	Cost (000)	Staff Years	Cost (000)	Staff Years	Cost (000)
Chief Economist	3.3		4.0		4.0	
Economic and Policy Analysis	36.7		34.0		34.0	
Sub-Total	40.0		38.0		38.0	
Salaries and Benefits		1,470		1,427		1,485
Non-Personnel Expenses		374		427		502
Total Program Cost		1,844		1,854		1,987

The Economic and Statistical Research Program provides the Commission and the operating divisions with an objective economic perspective and the technical support required to understand and evaluate the economic aspect of SEC regulation. Developments in the marketplace, together with the regulatory reform initiatives that the SEC has planned for 1984-1985, will generate an increasing requirement for economic analysis.

Growth in the financial services industry, the proliferation of new financial products, and changes in the industry's regulatory structure will generate a wide array of complex issues requiring comprehensive economic analysis. In the 1984-1985 period, it is anticipated that banks and savings institutions will continue their diversification into securities-related activities, requiring changes in Commission rules and regulations. New financial products such as options on a variety of debt instruments, market indices, and foreign currencies will appear, all requiring Commission review. Finally, Vice President Bush's Task Force on Federal Regulation of Financial Services will issue recommendations that will require Commission analysis and action.

At the same time, the Commission has been vigorously pursuing a program to reduce the costs of federal regulation in a manner consistent with investor protection. Achieving this goal requires a substantial amount of economic guidance. During the 1984-1985 period, the Commission expects to: review tender offer and proxy contest regulations; revise reporting requirements for investment companies, investment advisers, and broker-dealers; modify broker-dealer financial responsibility requirements; revise mutual fund pricing rules; review resale restrictions on private placements; and oversee self-regulatory organizations (SROs) initiatives to develop more efficient trading systems. In every instance, in-depth economic analysis will be conducted to assess the impact of rule changes.

Program Direction

Program Summary

	FY 1983		FY 1984		FY 1985	
	Actual		Estimate		Estimate	
Organizations	Staff Years	Cost (000)	Staff Years	Cost (000)	Staff Years	Cost (000)
Executive Staff	36.4		36.8		36.8	
Executive Director	12.5		13.0		13.0	
Secretary	20.8		20.0		20.0	
Public Affairs	8.0		8.0		8.0	
Comptroller	28.2		28.7		28.7	
Information Systems Management	55.2		59.4		59.4	
Personnel	26.3		26.7		26.7	
Administrative Services	62.2		60.5		60.5	
Sub-Total Salaries and Benefits	249.6	$8,098	253.1	$8,453	253.1	$8,796
Non-Personnel Expenses		2,334		2,900		3,405
Total Program Cost		$10,432		$11,353		$12,201

Program Direction, which encompasses the agency's policy management and administrative support functions, will face ever-increasing demands over the 1984-1985 period. The Commission will be required to articulate policies and act on rule proposals to accommodate an increasing array of complex legal, financial, and economic developments. These developments include the proliferation of new financial products and the entry of depository institutions into the securities markets. Further, the SEC's continued emphasis on regulatory reform will produce a variety of significant rule revisions requiring careful analysis and consideration. As the SEC's activities increase, the workload of the Office of the Secretary will grow as it records and indexes minutes of Commission meetings and provides required information to the Federal Register. With an increasing workload, the Executive Director's Office will experience a growing demand for studies and projects designed to improve agency management and productivity. Key among these efforts will be coordination of the SEC's Productivity Innovation by Computer (PIC) program, an agency-wide endeavor to utilize automation technology to increase SEC efficiency. A major component of PIC is implementation of the electronic filing project.

Over the 1984-1985 period, the agency's administrative support functions will be dramatically enhanced. The Comptroller's Office will automate the payroll system and improve the agency's fee collection through a direct deposit system. Substantial progress will also be made in improving cash management in accord with Reform 88. The Office of Information Systems Management will provide the technical support required by the agency's PIC program. In that regard, during 1984-1985, ten new systems will be developed, including an interactive system to process annual reports of investment companies and investment advisers. The Office of Personnel will continue its personnel management evaluation program, which is designed to improve personnel resource management and utilization in the SEC. Moreover, the office will enhance training and employee relations services for SEC staff. Finally, the Office of Administrative Services will develop procedures to more efficiently accommodate the anticipated high demand for procurement, mail delivery, equipment maintenance and printing services.

Statement of Fees

Source of Fees	1983 Actual	1984 Estimate	1985 Estimate
Registration of Securities Under the Securities Act of 1933	$68,029,211	$ 59,564,000	$ 63,123,000
Securities Transactions under the Securities Exchange Act of 1934	23,278,407	37,558,000	42,196,000
Other Filings and Reports	6,919,401	14,007,000	14,007,000
Non-NASD Brokers and Dealers 1/	389,383	375,000	--
Total	$98,616,402	$111,504,000	$119,326,000
Fees as a percentage of appropriation	110%	118%	114%

1/ Public Law 98-38 transferred direct regulation of all broker-dealers to self-regulatory organizations. Fees that had been collected by the SEC for performing these functions will no longer be collected.

Explanation of Commission Fees

In 1984, a net revenue increase of $13 million is expected to result from a record high volume of securities transactions on the nation's stock exchanges and from the new fees enacted in P.L. 98-38 acquisition transactions filed with the SEC. Reduced revenue from the registration of securities is expected due to a decline in the number of money market fund shares registered.

The Commission expects to collect 114% of its requested 1985 operating expenses from fees. This represents $119,326,000 in revenue that will be deposited into the general fund of the United States Treasury. The $8,000,000 net increase in revenue from 1984 is attributable to the anticipated continued growth of trading volume on the securities exchanges and an increase in the volume of shares registered with the Commission. The loss of $375,000, due to the transfer of the direct regulation of broker-dealers to self-regulatory organizations, will not materially affect total revenues.

ENFORCEMENT PRODUCTIVITY

Senator RUDMAN. Our staff likes to analyze numbers. They have given me this question to ask and I will ask it because it is too tempting not to ask.

They point out that from 1981 through 1983, the SEC increased its productivity in enforcement cases and in the processing of filings, while at the same time suffering a decline of 3 percent in total staff years. Indeed, the Prevention and Suppression of Fraud program had a reduction of 90 staff years, or 13 percent from 1979 through 1983 while the volume of shares traded on the New York Stock Exchange increased by 149 percent.

Now, given these statistics, how has the Commission managed to increase its output?

Mr. SHAD. I think some of the statistics may not be quite right. I heard 19-percent increase in prevention and suppression of fraud. I think that is too high a number.

Senator RUDMAN. There had been a reduction of 90 staff years or 13 percent.

Mr. SHAD. I think 13 sounds too high.

Senator RUDMAN. That is a reduction. You had a reduction. We are not being critical. We are just asking how have you been able to increase your output with this reduction?

Mr. KUNDAHL. What has happened there has been consistent. Over the years, the SEC has been steadily increasing its productivity. In the case of the enforcement area, in particular, there has been a certain amount of automation, there has been greater selectivity of cases, and there have been fewer individual defendants involved in each case. We are, therefore, able to bring a larger volume and have a greater therapeutic value, a prophylactic value in the marketplace, by giving visibility to the suppression of these types of activities. Once we bring cases, we inhibit similar activity.

So, there has been a greater selectivity of cases and a fewer number of average defendants per case, plus we have what we call CATS, which is a computer assisted tracking system, to keep track of all the enforcement actions.

ELECTRONIC FILING SYSTEM

Senator RUDMAN. When the electronic filing system becomes operational, the Commission's budget justification indicates the system is going to become the responsibility of the successful vendor. I assume that means that the vendor is going to charge fees. How are you going to regulate that?

Mr. SHAD. We do that now. Right now it is on microfiche and the SEC does regulate the fees charged by the vendor of that service. What we are in the process of doing now is getting competitive bids for this electronic system. We will control the fee structure. Right now it is too early to talk about specifically how we will do that.

Senator RUDMAN. Much of the information on that file would be time sensitive?

Mr. SHAD. Very much so.

Senator RUDMAN. I expect there have to be some real safeguards to ensure that not only unauthorized people but, say, the contractor or his employees do not find a way to access that information for personal financial gain?

Mr. KUNDAHL. We are keenly sensitive to that. We had conversations with the FBI and others concerning the approach to security in a system such as this. It is critical. What we are talking about is not breakthrough technology, just taking the existing security systems available. Notwithstanding publicity to the contrary about tapping into computers and the like, there are systems that are safe.

GLASS-STEAGALL ACT

Senator RUDMAN. Let me ask you a question concerning the Glass-Steagall Act. If legislative proposals to lift these restrictions are enacted by that act, does the Commission have the resources to regulate their activity?

Mr. SHAD. We will need more. If there are 15,000 banks and just 10 percent of them start engaging in revenue bonds and sponsoring mutual funds—there is a bill pending in the Senate Banking Committee—that will add 1,500 investment companies and require a lot of staff.

Senator RUDMAN. Substantially more?

Mr. SHAD. How many investment companies do we have?

Mr. GOHLKE. There are about 2,100.

Mr. SHAD. So we have 2,100. That will be almost doubling if 10 percent of the banks form investment companies.

INSIDER TRADING SANCTIONS

Senator RUDMAN. Last year, you testified before Congress in support of the Insider Trading Sanction Act. Does the lack of such a penalty at the present time encourage insider trading?

Mr. SHAD. I don't think it encourages it, but it doesn't inhibit it enough. It is a game where, if you get away with it you get to keep the profits, and if you are caught you have to give the profits back. We want to deter this activity significantly. We would have the authority for civil fines imposed by the courts based on the circumstances of the case.

FOREIGN CAPITAL

Senator RUDMAN. The Chairman of the Federal Reserve Board, Paul Volcker, has warned that the United States may become a "debtor nation" over the next decade due to the amount of foreign investment in America relative to our own investment overseas. Do you share that fear?

Mr. SHAD. I have a high regard for Mr. Volcker, but this country has been built on foreign capital—but for the British, we wouldn't have the industries we have here. I view capital imported into America as helping accelerate our capital information. It provides jobs and opportunities.

I think he is also referring, not so much to the infusion of capital—and capital is moving into the United States and the SEC is not inhibiting but rather trying to facilitate the formation of capital—but we don't have any direct regulation of capital flows. It is the imbalance of trade that is so strong that we are now becoming a very good market for everybody else. That is a problem, but not the capital balance. There are two different sets of books there that we are concerned with.

REGULATION OF ADVISORY LETTERS

Senator RUDMAN. In your budget justification, you talk about looking at regulation responsibilities of the various advisory letters. That is part of your responsibility. I assume you are talking about subscription newsletters?

Mr. SHAD. Yes. We had an unusual case involving First Amendment issues.

Senator RUDMAN. My question is directed at that. You do have a problem?

Mr. SHAD. I would like our General Counsel to answer.

Senator RUDMAN. We will be happy to have him come up here.

Mr. GOELZER. Dan Goelzer, I am the General Counsel. We did have a district court ruling that interpreted the statute requiring registration of those who put out investment advisory newsletters. It has been reversed on appeal, and I understand the losing parties are trying to take the case to the Supreme Court.

SUBMITTED QUESTIONS

Senator RUDMAN. Thank you. That is a very interesting issue. We may have several questions for the record which we are going to keep open for some time. I might say, I will be seeing you again about the middle of this month. I will be chairing the permanent subcommittee in the investigation hearing in commodity trading. We are going to have both you and FTC and others, so we look forward to seeing you then.

[CLERK'S NOTE: The following questions were not asked at the hearing but were submitted for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

Securities and Exchange Commission

Question:

The pay supplemental request of the SEC is $1,320,000, approximately 70% of need. Where will the remaining 30% be absorbed?

Answer:

The remaining 30 percent ($566,000) will be spread among the Commission's non-salary expenses to minimize the impact on staffing. If a staffing reduction is necessary to absorb some of this pay increase, however, it will be spread among all agency programs through increasing the time it takes to fill vacancies.

Question:

On page I-3 of the justification, it is stated that 5-6 staff years of unpaid overtime were donated to review filings in 1983. Did the donation of these staff years detract from other areas of the program? Were staff years donated in other activities of the Full Disclosure program, or in other program areas? If so, please list.

Answer:

The donation of the staff years did not detract from other areas of the program; they enhanced the particular program to which they were donated at no cost to other areas. Such staff years are "free" to the government.

Staff years were donated in other aspects of the Full Disclosure program and in other program areas. For fiscal year 1982, the last year for which such figures were compiled, SEC employees averaged 56 hours of donated time per staff year. Broken out by division, these donated hours per staff year are: Enforcement, 99.4; Investment Management, 37.1; Corporate Regulation, 34.2; Corporation Finance, 47.1; General Counsel, 155.7; Executive Staff 114.1; Market Regulation, 56.6; and Executive Director, 62.2.

Question:

Page I-5 includes the statement, "Further modifications of the selective review process will aid the staff in dealing with the large number of filings." What modifications are anticipated?

Answer:

The Division of Corporation Finance currently uses the Compustat data base to assist in identifying which reporting companies' financial ratios exceed pre-defined limits. The screening of the companies, which requires a search of the entire data base, is now done by Compustat on a quarterly basis. Since an on-line search through the data base is expensive and time consuming, the number of ratios being used in Compustat's search must be limited. Microcomputers can be used to refine this selective review process.

Because Compustat's data base is now available for microcomputers, the staff will have an in-house search capability. By using its microcomputers the staff will be able to screen the data base as it is updated, based on its own requirements, without incurring the expense of on-line computer time. Thus, the screening process will use more current information to identify companies with problems.

In addition, the number and type of ratios used in the screen can be modified on a more frequent basis. Under existing procedures, new screening ratios are programmed into the system by Compustat and then tested against the data base under on-line conditions. The testing is repeated each time the ratio is used with other ratios to determine whether the new ratio matrix provides the proper selection information. The staff can use microcomputers to introduce new ratios into the system without programming or on-line changes. Experimenting with a variety of matrix configurations can be accomplished using existing software and different ratios can be directed at different segments of the data base. A more precise targeting of screening criteria toward particular industries can be established, for example, by creating specific ratics for regulated entities such as banks or utilities.

Question:

On page I-6 it is stated that the regional office Full Disclosure will be increased by 7.1 staff years in FY 1984 and FY 1985. Which offices will receive these increases?

Answer:

Due to the heavy workload in S-18 filings and small issues, the New York, Chicago, and Los Angeles Regional Offices will each receive a portion of the total 7.1 staff year increase.

Question:

Will the SEC continue to keep full disclosure filings in hard copy when the electronic filing system is implemented?

Answer:

Yes. The Commission will continue to receive a single hard copy of each filing until there is absolute assurance that electronic transmission is completely reliable and accurate.

Question:

At the end of 1986, the filing system is due to be fully operational and maintenance of the system will become the responsibility of the contractor. Will the Commission regulate the cost of service for access to the system?

Answer:

Yes. The Commission will ensure that access to the automated data base for individuals as well as institutions is at the lowest possible cost. Regulation of the price charged for service will be an important element in the contractual relationship just as it is now with the SEC's current dissemination contractor.

Question:

Page II-4 has the statement, "Twenty-three staff years were committed to assisting other law enforcement agencies with criminal prosecutions during 1983." What agencies were assisted and in what types of cases?

Answer:

The 23 staff years were devoted to assistance to the Department of

Justice or various U.S. Attorney's offices in their criminal investigations and prosecution of possible violations of the federal securities laws. The cases involved financial fraud, insider trading, manipulation, stealing and a variety of other areas.

Question:

On Page III-1 the justification states, "The SEC provides the securities industry with periodic guidance regarding joint industry proposals for linking on an evolutionary basis the securities markets and their clearance and settlement facilities into national systems, as required by the Exchange Act." What progress has been made toward final establishment of a National Market System as envisioned in the Exchange Act?

Answer:

During fiscal 1983, the Commission was engaged in numerous initiatives bearing on the development of a national market sytem ("NMS") and national securities clearing system. With respect to the NMS, the Commission approved the Intermarket Trading System ("ITS") and the Cincinnati Stock Exchange, Inc.'s National Securities Trading System as permanent NMS facilities. As a permanent electronic linkage, over a billion shares were traded through the ITS in fiscal 1983. Although off-board market making opportunities for exchange member firms are available now in over 600 securities, due to the lack of increased off-board market making in these stocks, the Commission deferred action on an order exposure rule. Also during fiscal 1983, the number of over-the-counter ("OTC") securities designated as NMS securities increased dramatically so that last sale reports in over 800 OTC stocks currently are published. Finally, the Commission approved expansion of the New York Stock Exchange, Inc.'s ("NYSE") pilot Registered Representative Rapid Response program, which permits derivately priced, instant execution by account executives of orders up to 599 shares in 200 of the most actively traded NYSE stocks.

During fiscal 1983, the Commission also made important progress in facilitating safe and efficient expansion of the national clearance and settlement system. First, with respect to all but one of the active clearing agencies, the Commision completed its full registration review and ordered their full registration under the Exchange Act. Second, the Commission engaged in two rulemaking proceedings that significantly enhance the safety and efficiency of the national system. The Commission adopted comprehensive rules regarding minimum standards for the prompt and accurate creation and maintenance of issuer security holder files and the safeguarding of securities and funds by registered transfer agents. In addition, the Commission proposed (and in fiscal 1984, adopted) a rule that requires registered transfer agents, acting on behalf of tender offer bids, to establish special accounts with registered securities depositories for the book-entry delivery and return of tendered securities. Third, the Commission approved industry-wide initiatives that streamline greatly the settlement of institutional trades. Those initiatives require institutional customers to use automated depository facilities for the confirmation, affirmation and bookentry settlement of certain securities transactions. Fourth, the Commission approved well over one hundred clearing agency proposed rule changes that refine or expand the national system's services and facilitate the cost-effective use of those services. For example, the method of calculating member clearing fund requirements was changed to approximate more closely financial risks, and the methods by which participants satisfy their clearing fund and margin deposit obligations have been expanded, without diminishing the diversity and safety of those back-up systems.

Question:

If the Glass-Steagall Act is amended this year to allow banks to enter the securities market. what additional resources will be needed in FY 1985 in the Supervision and Regulation of Securities Markets Program?

Answer:

If Congress amends the Glass-Steagall Act to allow banks to enter the securities market and requires those banks to register with the Commission as broker-dealers, there may be substantial effects on the Supervision and Regulation of Securities Markets Program. Currently, there are approximately 5,000 registered broker-dealers doing business with the public. Depending on the types of bank securities activities that the Congress might conclude require broker-dealer registration, approximately 1000 or more banks or bank affiliates would be required to register. We would anticipate that a twenty percent increase in the number of registered public firms would have a substantial impact on the workload of the registration processing and inspection functions of the market regulation program. Additional staff resources would be required for general interpretive advice.

Question:

In referring to the Public Utility Holding Company Regulation Program on page IV-i, the justification notes, "During fiscal year 1983, this program realized an estimated $13 million in savings to investors and consumers." If so, why is the Commission recommending the termination of the program?

Answer:

If allowed to enter into additional non-utility activities, the currently regulated companies could achieve savings greater than the $13 million in savings generated for consumers during fiscal year 1983. Because of the need for fuel oil and coal for electric generation, several regulated systems have invested millions of dollars in fuel transportation equipment for use on the inland waterways of the Mississippi and Ohio Rivers. Industrial companies and other non-associate utilities have recognized the expertise of these registered systems in the fuel transportation business. Currently, the Act controls the accounting and use of proceeds derived from fuel transportation subleasing. If the Act was repealed or modified, these revenues could be redirected to benefit the holding company and its investors. The holding companies could greatly expand this business opportunity by rendering these services to industrial clients and other utilities.

In addition, the registered systems' counterparts in the industry can issue and sell preferred stock at the holding company level; issue and sell debt and preferred stock that is convertible into other securities; negotiate the issuances and sale of securities rather than use competitive bidding; and issue and sell warrants, options, etc. While none of the aforementioned securities are presently authorized under the Act, other utilities are not precluded from using them. If the Act were repealed, it is believed that the registered companies could utilize these financing alternatives, reduce their cost of capital, and thereby compete more effectively in the utilities markets.

Question:

What is the SEC definition of an investment adviser (IA)? Is there a constitutional conflict with freedom of the press in the regulation of subscription investment newsletters?

Answer:

The Investment Advisers Act of 1940 ("Advisers Act") specifically applies to advisory publications and the legislative history makes it clear that Congress intended that result.

Section 202(a)(11) of the Advisers Act defines an investment adviser to include

> any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities...

The definition's use of the phrase "through publications" indicates that advisory newsletters are within the Commission's statutory mandate. 1/ In addition, the Congressional findings upon which the Advisers Act was based, which are set forth in summary fashion in Section 201 of the Advisers Act, evidence Congressional intent that the Advisers Act apply to publishers of advisory publications. As relevant, these findings state that

> investment advisers are of national concern, in that, among other things - (1) their advice, counsel, publications, writings, analyses, and reports are furnished and distributed, and their contracts, subscription agreements and other arrangements with clients are negotiated and performed, by the use of the mails and means and instrumentalities of interstate commerce .... [Emphasis added].

Moreover, the legislative history of the Advisers Act clearly indicates that Congress was aware of certain significant abuses which advisory publications had perpetrated. 2/ In SEC v. Capital Gains Research Bureau, Inc. 3/ the Supreme Court reviewed the legislative history of the Advisers Act and found that the Act was intended to apply to investment advisory publications.

Section 202(a)(11)(D) provides an exclusion from the Advisers Act definition of investment adviser for "the publisher of any bona fide newspaper, news magazine or business or financial publication of general and regular circulation." It is our view that this exclusion is available to a publisher of an advisory publication when it can be determined, based on content, advertising materials and other relevant factors, that the publication is not primarily a vehicle for distributing investment advice. Although the legislative history of the Adviser Act does not provide specific guidance as to how this exclusion should be interpreted, we believe that it is reasonable to conclude that Congress intended through this exclusion to distinguish between publications, such as the Wall Street Journal, that provide general business news that people may use in connection with their commercial activities and publications on which people are intended to rely in choosing investments.

We are aware of two cases that have dealt with the constitutionality of the Advisers Act as applied to advisory newsletters. In the first case, SEC v. Wall Street Transcript Corp., 4/ the Second Circuit held:

> The Investment Advisers Act does not on its face abridge freedom of the press simply because it may be applied to publications which are classified formally as part of the "press" for some purposes but are not "bona fide newspapers" excluded under the Act. It is not necessary to base a construction of the Act on the assumption that the activities involved in giving commercial investment advice are entitled to the identical constitutional protection provided for certain forms of social, political or religious expression. 5/

Although the Supreme Court has not considered the constitutionality of the Advisers Act as applied to advisory newsletters, we regard the Second Circuit's decision in the Wall Street Transcript case as consistent with the holdings of the Supreme Court in a number of cases dealing with the applicability of the First Amendment to commercial speech. 6/ In this regard, we note that the Seventh Circuit has applied a commercial speech analysis in a case involving circumstances that are closely analogous to those presented by the regulation of advisory newsletters under the Advisers Act. Specifically, in Savage v. CFTC 7/ an applicant for registration as a commodity-trading advisor who published an advisory newsletter challenged the denial of registration by the Commodity Futures Trading Commission on the grounds that the licensing requirement of the Commodity Exchange Act was an abridgment of the First Amendment. The Seventh Circuit Court of Appeals rejected the constitutional challenge, noting that "the Amendment does not remove a business engaged in communication of information from general laws regulating business practices." 8/ The Court cited the following statement from Justice Harlan's opinion in Curtis Publishing Co. v. Butts:

> "A business 'is not immune from regulation because it is an agency of the press. The publisher of a newspaper has no special immunity from the application of general law' . . . Federal securities regulation, mail fraud statutes, and common law actions for deceit and misrepresentation are only some examples of our understanding that the right to communicate information of public interest is not 'unconditional'." (citations and footnotes omitted). 9/

The Court also emphasized the investor protection purposes of similar registration requirements in the federal securities laws. 10/

A recent decision of the U.S. Court of Appeals for the Second Circuit reversing a lower court judgment was the second case to deal specifically with the applicability of the First Amendment to the regulation of newsletter advisers. 11/ In that case, the court held that the SEC's authority to revoke the appellee's registration as an investment adviser, and as a result to bar him from publishing his newsletters, does not violate the First Amendment. Although the lower court, in its decision had upheld the general authority of the Commission, consistent with the First Amendment, to regulate publishers of investment advisory newsletters under the Advisers Act, the judge had declined to issue an injunction against publication of an advisory newsletter by the defendant. The defendant misappropriated client funds and failed to amend his investment adviser registration application to reflect his state court conviction for such misappropriation. This resulted in a Commission order under the Advisers Act revoking the publisher's investment adviser registration and barring him from association with any investment adviser. The District Court found that the Commission's authority to revoke or deny investment adviser registration to publishers of impersonal investment advice must be reasonably construed to avoid an impermissible encroachment on First Amendment freedoms in the form of prior restraint on publication, particularly where alternatives existed to protect the public interest. 12/ The Second Circuit found the prior restraint argument unavailing and in its opinion reversing the lower court decision stated,

> . . . we believe that the provisions of the Investment Advisers Act at issue here are precisely the kind of regulation of commercial activity permissible under the First Amendment. Accordingly, we believe that the holding of Wall Street Transcript controls this case.

In light of the foregoing we believe it is the Commission's responsibility to administer the provisions of the Advisers Act applicable to investment advisory newsletters.

1/ The exclusion from the definition of investment adviser provided in Section 202(a)(11)(D) for "the publisher of any bona fide newspaper, news magazine or business or financial publication of general and regular circulation" would be superfluous if Congress believed that the basic definition did not encompass newsletters. The general applicability of the Section 202(a)(11)(D) exclusion to advisory newsletters is discussed in the text below.

2/ Hearings on H.R. 10065 before a Subcommittee of the House of Representatives Committee on Interstate and Foreign Commerce, 76th Cong., 3d Sess., 89 (1940); and Hearings on S.3580 before a Subcommittee of the Senate Committee on Banking and Currency, 76th Cong., 3d Sess., pt. 2, (1940) which contained, at 10004, a memorandum entitled "Statutory Regulation of Investment Counselors by Research Department, Illinois Legislative Council." This memorandum contained, at 1008, a section on publishers of investment advice which stated, in part:

> A particular problem in defining the application of a law regulating investment counselors arises from the existence of individuals and firms who furnish investment advice solely by means of publications. Insofar as such individuals and firms also render specialized advice to individual clients, they might be subject to any regulatory measure that may be adopted. The question arises, however, as to whether or not services which give the same general advice to all their clients, by means of some circular or other publication, are actually engaged in a type of investment counseling as to which regulation is feasible.
>
> The reason for considering these generalized investment services in relation to possible regulation, is to be found in the greatly varying types of news, facts, and conjectures that are circulated. Criticism is also prevalent of advertising policies which sometimes involve great overemphasis of the value of the service supplied and of the profits which can be expected from the use of such services. Then, too, question [sic] may arise as to the good faith of some of the less reputable of these generalized investment services. The situation with regard to financial publications had been summarized as follows:
>
> "Even honest and well-intentioned, it is doubtful whether, as a whole, these organs of news do more to inform or misinform their readers when they go beyond reporting and analyzing facts and figures.
>
> Often, however, they are not honest but are open to suspicion of willingly lending themselves to the use of stock market promoters and manipulators who seek to influence the course of security prices through the use of propaganda. Sometimes a single employee may be corrupted without the knowledge of his superiors. Sometimes the organization itself is corrupt. Sometimes it is the unwitting dupe of clever machinations. The worst forms of tipster sheet exist for no other reason than to lure the investor and gambler to their financial ruin. Brokers' market letters are issued in most instances for the purely selfish purpose of exciting speculative fervor." (Twentieth Century Fund, Inc., the Security Markets (1935), p/ 692).

3/ 375 U.S. 180 (1963). The precise issue before the Court in this case was not whether the Advisers Act applies to advisory newsletters but rather the scope of the act's antifraud provisions.

4/ 422 F. 2d 1371 (2d Cir.) cert. denied 398 U.S. 958 (1970). After the Second Circuit issued its opinion, the case was returned to the District Court for a decision on the merits. The District Court found that the particular publication at issue was not an investment advisory publication within the meaning of the Advisers Act, and the Commission chose not to appeal this determination.

5/ Id, 1379.

6/ See, e.g. Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council Inc., 425 U.S. 748 (1976); Ohralik v. Ohio State Bar Association, 436 U.S. 447 (1978), reh. den. 439 U.S. 883; Friedman v. Rogers, 440 U.S. 1 (1978).

7/ 548 F.2d 192 (7th Cir. 1977).

8/ Id, 197.

9/ 338 U.S. 130 (1967).

10/ See Underhill Associates, Inc. v. Bradshaw, No. 81 1222 (4th Cir., March 25, 1982), in which the Court of Appeals for the Fourth Circuit held that the registration provisions of a state blue sky law did not violate the commerce, supremacy, free speech or due process clauses of the U.S. Constitution, as applied to out-of-state discount brokers who did business with Virginia residents by means of the mails, telephone, and advertising, but maintained no offices or representatives resident in the state. In that case the Court found the registration provisions applicable to the conduct of business as a broker-dealer.

11/ SEC v. Christopher Lowe, Nos. 83-6108, 83-6116, (2d Cir. Jan. 18, 1984).

12/ SEC v. Christopher Lowe, 82 Civ. 1616, D.C. E.D.N.Y., decided Feb. 1, 1983.

Question:

If the Glass-Steagall Act is amended this year to allow banks to enter the securities market, what additional resources will be needed in FY 1985 in the Investment Management Regulation Program?

Answer:

If the Glass Steagall Act is amended this year, the program projects 64 additional staff will be needed to maintain present levels of inspections, disclosure document reviews, and timely responses to no action letters.

This estimate is based on a projection of just 10% of the 14,000 banks in the nation filing as investment companies, and an additional 1400 investment adviser registrants. Incorporated into the staff level estimate is an expected productivity increase for personnel in areas that would be most directly affected by an increase in the number of investment company registrations.

Because no self-regulatory organization exists for 1940 Act companies, the SEC must bear the entire examination and regulatory burden brought about by an increase in the number of registrants.

Question:

What resources in the Legal Services Program are being committed to the appeal of O'Brien v. SEC to the Supreme Court?

Answer:

Staff resources committed to O'Brien, et al. v. SEC (S. Ct., cert. pending) have involved approximately 6,035 staff hours. This estimate does not include the hours that will be spent over the next month preparing for argument in the Supreme Court, scheduled for April 17, 1984. In addition to these hours, as a result of the Ninth Circuit's novel requirement of notice of third party subpoenas, all other investigations impacting in the Ninth Circuit have been affected. Thus far, this has resulted in four cases filed against the Commission in which over 2,580 staff hours have been expended. Additionally, the staff has spent numerous hours responding to O'Brien challenges raised as affirmative defenses in Commission injunctive actions. These hours include an allocation of administrative hours (overhead).

Question:

Communications and rental is due to increase by $1.5 million, including $883,200 for rental of space. What will be the SEC cost per square foot in 1985, assuming this increase is accepted, and how will this compare to 1984 costs?

Answer:

After adjusting for space reductions planned and two office moves, the FY-1985 cost per square foot of office space is $25.75. The FY-1984 cost per square foot of office space is $23.41. The $2.34 difference equals a 10% cost increase.

Question:

How many word processors are owned and/or rented by the SEC at the present time? Will this number increase in FY 85?

Answer:

At present, the Commission leases 43 word processors and owns 88. It is anticipated that the number of each will increase slightly in FY 85. The decision to lease or purchase is dependent upon the available terms at the time of acquisition.

Question:

The Commission will also consider in 1984 and 1985 the registration of insurance companies offering so-called "Universal Life II" policies, in which policy holders will be able to invest their equity in a choice of investment funds. Does the budget request account for increased activity in this area?

Answer:

The current budget request does not take into account increases in workload that are expected to occur in the insurance products area as a result of the development of a new form of variable life insurance policy known as Universal Life II. Industry representatives believe that as many as 125 insurance companies will enter this market and register new funds with the SEC. If these projections prove to be accurate, the workload of the Division of Investment Management's Office of Insurance Products will nearly double and increased staffing will be necessary in order to maintain current levels of investor protection afforded in such areas as inspections and disclosure review. However, projected staffing needs were not included in the current budget request because the anticipated registrations for Universal Life II may never materialize or, if they do, the number of such registrations may be far larger or smaller than projected. In the early 1970s when variable life insurance was introduced, the Commission was warned of a burgeoning workload, stemming from new registrations, which did not develop. In light of this experience, we believe that rather than requesting additional staff now it would be preferable to seek a supplemental appropriation if and when staffing needs increase.

Question:

In the case O'Brien v. SEC, the Ninth Circuit Court of Appeals has required the Commission to give notice to subjects of its investigations when it issues subpoenas to obtain information from others not directly targeted in the investigation. If this position is sustained, what impact will it have on Commission investigations?

Answer:

The O'Brien decision has severely hampered the Commission's ability to conduct investigations in the Ninth Circuit. The Commission has petitioned the Supreme Court for review of the decision and a writ of certiorari has been granted. We are confident that the Supreme Court will reverse the decision of the Court of Appeals.

In the meantime, a large number of cases have been directly affected by the decision. Many have been suspended or delayed. In some cases, we have attempted to proceed by obtaining voluntary consents. An example of an affected investigation is the Washington Public Power Supply System case. In order to comply with O'Brien to the extent possible, the Commission made public its formal order of investigation and is making all subpoenas available for inspection at the headquarters office and at the Seattle Regional Office. This procedure is hindering the investigation due to the added burden of publicizing the investigation and by the fact the direction of the investigation and the sources of information have been disclosed.

Question:

The Commission is requesting $250,000 for claims under the Equal Access to Justice Act, which requires Federal agencies to award attorneys fees and other expenses to certain individuals and small businesses that are subjected to unjustified proceedings against them. If Congress continues to provide funds to cover such claims, what incentive is there for an agency to ensure that it brings administrative or court actions only when they are justified?

Answer:

Appropriation of funding for EAJA claims will not undermine the Commission's incentive to bring only justified court or administrative actions. The Commission is extremely sensitive to its responsibilities as a regulatory and law enforcement agency. In deciding to bring enforcement proceedings, the Commission must and does consider the public interest in the enforcement of the securities laws to prevent fraud, to ensure adequate disclosure to investors, and to promote the fair and efficient operation of the securities markets. In this regard, the Commission also carefully considers whether the evidence and the legal theories supporting its enforcement actions are sufficient, and the effects of its actions on the persons charged with violations. No EAJA award has ever yet been made against the Commission.

The Commission believes that the presence or absence of an appropriations incentive will not affect Commission positions in adjudicative proceedings. However, because of budgetary limits on the Commission's resources, the payment of an EAJA award from operating funds would ultimately divert resources from the Commission's enforcement mission. The Commission believes that the resulting adverse effect on the investing public would outweigh any unlikely benefits from the absence of an appropriation.

We believe that the EAJA should continue to enable individuals and firms of modest means to assert their legal rights undeterred by the dollar price of justice. The goal of the EAJA should not be, however, to "punish" erring agencies, particularly where this will interfere with the interest of the investing public in effective regulation and law enforcement. We believe the Act's goals are best served by an appropriation of funds to cover EAJA awards, which in fact is explicitly provided for by 5 U.S.C. §504(d) (1) and (2) and at 28 U.S.C. §2412(d)(4)(A) and (B).

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

SECURITIES AND EXCHANGE COMMISSION

Fees

Question:

You note in your statement that fees collected in 1983 were 110 percent of the Commission's budget and will be 118 and 114 percent respectively in 1984 and 1985. In your judgement, do the fees adequately reflect the Commission's value to the securities public and industry?

Answer:

Fees vary with a number of factors. The large increase in 1984 is expected from a record high volume of securities transactions on the nation's stock exchange and from new fees enacted in P.L. 98-38 for acquisition transaction filings. The estimated increase in 1985 reflects a continued growth of stock exchange trading volume.

It is difficult to measure the value the securities public and industry put on the SEC's oversight of financial markets but the fact that we have saved the industry hundreds of millions of dollars in 1983, with no loss of investor protection, indicates that the agency has benefits many times its appropriated funds.

Inside Trading Activity

Question:

What is the current status of the SEC's action against the former Deputy Secretary of Defense Thayer?

Answer:

The case styled SEC v. Thayer, et al. was filed on January 5, 1984 and remains in litigation. Consequently, it would be inappropriate to comment further about the Commission's allegations in this case.

Question:

If the courts had the power in the pending Insider Trading Sanctions Act to levy fines equal to three times an insider trader's profits, what would the 24 cases brought in fiscal 1983 add to the Treasury?

Answer:

The Insider Trading Sanctions Act if enacted would permit the Commission to ask a U.S. district court judge to impose up to three times the amount of ill-gained profits by a person found guilty of insider trading. The federal district court judge would have the discretion to impose such a fine or some lesser amount.

If the Commission were successful in prosecuting the 24 insider trading cases it initiated in fiscal year 1983, and in each of these cases it requested and a federal district court judge granted a sanction of three times the ill-gained profits, the U.S. Treasury would be enhanced by several million dollars.

Savings

Question:

Please summarize in one place all the savings claimed by SEC in fiscal 1983, distributed between savings to shareholders and those to traders of securities. What has been the impact of the SEC's changes to the average investor?

Answer:

The Commission has introduced a number of innovative changes that have resulted in immediate and direct savings to issuers, the securities industry and investors. In the area of full disclosure, the Commission has continued to integrate the registration and reporting requirements under the 1933 and 1934 securities acts. These streamlined disclosure requirements have reduced reporting companies' fiscal year 1983 expenses by over $350 million per annum. These savings ultimately benefit shareholders by preserving capital, enhancing dividends, and encouraging corporate expansion. An important element of integration is the revised shelf registration rule. This rule permits the largest and most creditworthy corporations to file a single registration statement covering securities they expect to sell from time to time over two years. As a result of this rule, issuers of eligible securities (and ultimately their shareholders) have saved hundreds of millions of dollars. The Commission also took steps to benefit smaller businesses and their shareholders by increasing from $5 million to $7.5 million the ceiling for initial public offerings pursuant to the abbreviated Form S-18.

In addition to savings to issuers and shareholders, the Commission has taken steps to reduce unnecessary costs to the securities industry. For example, by expanding the institutional book-entry delivery system, brokers and agent banks will save over $350 million annually in financing and processing costs. By updating the Options Clearing Corporation's deposit requirement, an estimated $300 million of the industry's capital will be freed. Ultimately, these benefits are passed on to customers in the form of moderated or reduced brokerage fees. The Commission's action to simplify registration for mutual funds and investment advisers has reduced the expenses borne by shareholders and has improved the readability and utility of those documents for investors. Finally, during 1983 the Commission issued 420 orders exempting investment companies and others from various provisions of the securities laws. This resulted in over $115 million in savings to investors, primarily from the elimination of front-end sales load fees. It should be noted that while the Commission has eliminated unnecessary regulatory burdens and increased corporations' financing flexibility, investor protections have been improved as a result of its efficient full disclosure procedures and its broad-based and aggressive enforcement program.

Electronic Filing

Question:

Am I correct that with Electronic Filing, the SEC intends to receive, process and store electronically the information now filed on paper forms?

Answer:

Yes, the Commission will test the feasibility of electronic receipt, storage, processing and, to a limited extent, dissemination of filings.

Question:

Will it include all filings now submitted to the SEC?

Answer:

No, the pilot program will be limited to a maximum of 10 percent of the filings made under the 1933 and 1934 Acts.

Question:

What is the current status of the pilot program to begin in September 1984?

Answer:

We are in the process of selecting a program contractor who will begin work in May with the anticipation of receiving the first filing in September 1984.

Question:

What backup is there if the computers go down?

Answer:

Everything that comes in will be converted to microfiche within hours of its receipt. Additionally, all magnetic tapes and disks will be duplicated as protection against any loss or damage done in the event of a system failure. In this circumstance, the SEC's existing computer mainframe could be used to provide backup to electronic processing.

Question:

How do you keep someone from changing his file if he suspects an investigation?

Answer:

We intend to implement a rigid set of data processing security standards. The Federal Bureau of Investigation has been particularly helpful in making available a data encryption specialist to advise us on the entire security issue.

In addition to possibly encrypting portions of transmitted and stored data, we will also structure the access to the system through the use of specialized codes and passwords. Further protection will be available through techniques involving automated determinations of what device is attempting to access a particular data base and preventing any access to certain files from all but a few pre-defined, internal workstations.

Question:

You speak of this project being coordinated with the growth of home computers. Is there any difference in the information to be disseminated electronically and that made available today?

Answer:

No, the content remains the same. The big differences come from improved timeliness and widespread, easy access to SEC data.

1984 Pay Increase

Question:

How much of the 1984 pay increase is the SEC absorbing?

Answer:

The SEC is absorbing $566,000, which is 30% of total 1984 pay increase costs.

Question:

How much of the 1984 Supplemental is for the pay increase?

Answer:

All of the 1984 supplemental is for pay and related benefits.

Question:

The 1984 pay increase went into effect January 1, 1984 so the $1,320,000 supplemental covers nine months of additional salary costs. Presumably only 1/3 additional would be required in fiscal 1985 to cover the other three months.

The base adjustment of $1,315,000 included on p. VIII seems out of line, please explain why it is not approximately 1/3 of the $1,320,000 supplemental.

Answer:

Because of a forced absorption of $566,000 of the Commission's total $1,886,000 fiscal 1984 pay supplemental requirement, the $1,320,000 increase only covers approximately six months' costs. The $1,315,000 request funds the remaining six months cost.

New Positions

Question:

Please explain why the SEC anticipates a 6.9% lapse on its permanent positions in 1984.

Answer:

Lapse is the difference between total authorized positions and appropriated work-years. The SEC's authorized positions in 1984 total 2,021 versus an appropriated staffing level of 1,881 work-years. The latter is contained in the Commerce, Justice and State Conference Report for the fiscal year ending September 30, 1984 (Report No. 98-478). The difference between 2,021 and 1,881 is 140 which equates to a 6.9% lapse.

Question:

Please provide an exhibit showing the title, grade and salary of the 21 new positions requested for 1985.

Answer:

The 21 new positions requested for 1985 include:

Number	Title	Grade	Salary
1	Project Manager	15	50,252
1	Research & Development Supervisor	14	42,722
1	Branch Chief	14	42,722
2	Systems Analyst	13	72,304
2	Software Specialist	12	60,804
2	Computer Specialist	12	60,804
1	Computer Programmer	12	30,402
2	Financial Analyst	13/12	66,554
2	Attorney	13/12	66,554
2	Accountant	13/13	72,304
5	Clerk	5/6	72,357

Question:

Am I correct that no lapse was used in estimating the costs of the 21 new positions for Electronic Filings in 1985? How much can be deducted from the estimate by lapsing the 21 new positions by the 25% rate normally used in estimating the first year cost of new positions?

Answer:

The Commission anticipates having the Electronic Filings system operational in September 1984. To take full advantage of this timetable, the SEC anticipates fully staffing the system very early in fiscal 1985. The $565,000 provided by OMB for these positions was calculated on an average cost basis and is $150,000 less than the required staffing will cost.

Field Offices

Question:

On several pages of the justification is mention of relocation costs of two regional offices.

Are these moves of the local offices in Los Angeles and Houston cited in the 1984 justification?

Answer:

No. These are not the moves of the Los Angeles and Houston offices cited in the 1984 justification.

Question:

According to last year's justification, these moves were necessitated by GSA lease renewal negotiations. Why doesn't GSA bear the relocation cost if they are forcing the SEC to change locations?

Answer:

GSA did bear certain of the relocation costs, such as moving, alterations and telephone installation and removal. They do not bear the future cost of increased space rental which was what was requested in the 1984 justification.

Question:

If these moves were accomplished in fiscal 1984, why are these costs in 1985?

Answer:

There are no moving costs for the Los Angeles and Houston Offices requested in the 1985 budget request.

Question:

Please provide a list for the record of the Commission's regional offices and the number of positions assigned and employed at each location as of February 29, 1984.

Answer:

Regional Office	Branch Office	Authorzed Permanent Positions	2-29-84 On-board Strength
New York		195	186
Boston		45	36
Atlanta		44	39
	Miami	20	15
Chicago		104	90
	Detroit	3	3
Ft. Worth		33	34
	Houston	14	13
Denver		50	49
	Salt Lake	9	9
Los Angeles		73	65
	San Francisco	28	25
Seattle		35	35
Washington		42	40
	Philadelphia	22	22

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

STATEMENT OF CLARENCE THOMAS, CHAIRMAN

ACCOMPANIED BY:

JOHN SEAL, DIRECTOR, OFFICE OF MANAGEMENT
ODESSA SHANNON, DIRECTOR, OFFICE OF PROGRAM OPERATIONS
ANDREW FISHEL, DIRECTOR, FINANCIAL MANAGEMENT SERVICES

BUDGET REQUEST

Senator RUDMAN. Our next request is that of the Equal Employment Opportunity Commission. The amount requested for fiscal year 1985 is $161,155,000, which is an increase of $9,756,000 over the enacted fiscal year 1984 budget.

Appearing on behalf of the fiscal year 1985 request is Mr. Clarence Thomas, the Chairman of the Commission. Mr. Thomas, we are pleased to have you with us today to discuss your budget request. You may introduce those who are accompanying you. Please proceed in any manner you wish.

INTRODUCTION OF ASSOCIATES

Mr. THOMAS. First of all, Mr. Chairman, it is good to be back. I would like to introduce a fellow EEOC Commissioner, Bill Webb. With me I have to my left, John Seal, who is our Director of Management; to my far right is Andrew Fishel, who is our Director of Financial Management Services and Odessa Shannon, who heads up the entire field operation.

Senator RUDMAN. You are familiar with our procedure and you can proceed as you would like. Obviously, your entire statement will be put in the record.

Mr. THOMAS. I have a brief statement. I will be extra brief and read one page of that.

OPENING STATEMENT

The 1985 budget request for EEOC is $161.2 million. This constitutes an increase of $7 million over the funds expected to be appropriated for the Commission's operation during fiscal year 1984.

Of the $161.2 million, $19 million will be used to continue the funding relationship which exists between EEOC and State and local fair employment practice agencies. These agencies assist EEOC in resolving employment discrimination complaints.

The remaining $142.2 million will be used largely to pay the salaries and overhead costs for EEOC's staff. Of this amount, nearly 80 percent is used to pay for staff salaries and benefits.

The budget level requested for fiscal year 1985 will allow the Commission to support a full-time equivalent staff level of 3,125 positions, which is actually 50 positions more than were funded by the Congress in this fiscal year. Over 90 percent of the staff will be assigned to work on enforcement program activities, with 77 percent of this staff located outside of Washington, D.C. in EEOC's 48 field offices around the country.

It is clear, from my tenure at EEOC, that the need for strong commitment to the enforcement of equal employment rights is as compelling now as it ever was. To a certain extent, it is even more compelling today as proving discrimination has become more difficult and the issues have become more complex. During fiscal year 1985, EEOC will mark its 20th anniversary. Noting this, congressional approval for the requested EEOC budget for fiscal year 1985 will ensure that the Commission is able to enter its third decade in the forefront of the struggle to eliminate employment discrimination.

Before closing, I would like to add a clarification regarding the dollar benefit calculation contained in our budget estimate. The 1983 benefits figure contained in the submission included a very large settlement in one case involving retirement policy. The calculation of benefits in this area is relatively new for the Commission and an issue on which there has been little guidance. I have reviewed the computation of benefits in that case and I have decided to preliminarily omit $57 million from our total benefits pending deliberation by the task force on computation for benefits. The new figure for 1983 benefits should be $90,847,000. This figure may and probably will be adjusted upward based on the outcome of the task force deliberations.

Thank you.

[The prepared statement of Clarence Thomas follows:]

PREPARED STATEMENT OF CLARENCE THOMAS

CHAIRMAN

U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to present the Fiscal Year 1985 budget request for the Equal Employment Opportunity Commission (EEOC).

The Commission is responsible for enforcing:

- Title VII of the Civil Rights Act of 1964, as amended, which prohibits employment discrimination based on race, color, religion, sex or national origin;
- The Age Discrimination in Employment Act of 1967, as amended;
- The Equal Pay Act of 1963; and,
- In the Federal sector only, prohibitions against discrimination because of handicap under Section 501 of the Rehabilitation Act of 1973.

The 1985 budget request for EEOC is $161.2 million. This constitutes an increase of $7 million over the funds expected to be appropriated for the Commission's operation during Fiscal Year 1984.

Of the $161.2 million, $19 million will be used to continue the funding relationship which exists between EEOC and State and Local fair employment practice agencies. These agencies assist EEOC in resolving employment discrimination complaints.

The remaining $142.2 million will be used largely to pay the salaries and overhead costs for EEOC's staff. Of this amount, 79 percent is used directly to pay for staff salaries and benefits, while another 16 percent is used for such non-discretionary items as rent, utilities, telephones, office supplies and equipment. Only 5 percent of the Commission's internal operating expenses fall within the category which could be classified as discretionary; and many of these expenses, such as supporting litigation activities and conducting surveys of employers, are not discretionary in a real sense, since they are essential to the operation of the Commission's enforcement program.

The budget level requested for FY 1985 will allow the Commission to support a full-time equivalent staff level of 3,125, which is actually 50 positions more than was funded by the Congress in this fiscal year. Over 90 percent of the staff will be assigned to work on enforcement program activities, with 77 percent of this staff located outside of Washington, D.C. in EEOC's 48 Field Offices around the country.

STRENGTHENING THE MANAGEMENT STRUCTURE OF THE AGENCY

It was clear when I became Chairman -- nearly 2 years ago -- that the management structure of EEOC had to be reorganized and strengthened. Before I instituted a reorganization of our Headquarters Offices, the Commission's effectiveness was being limited by countless administrative problems. In the year and a half since the Headquarters reorganization, we have made great strides toward eliminating these problems. We have strengthened all of our management systems, established financial integrity and are moving forward with a new spirit of internal cooperation in meeting common goals.

We used the experience gained during the Headquarters reorganization in developing and implementing a comprehensive plan of action for the reorganization of our Field Offices. This reorganization, scheduled to become effective in April 1984, will ensure that we are in the strongest possible position to eliminate employment discrimination. This will primarily be accomplished by upgrading 17 of the 26 present Area Offices so they will include units which can undertake the extended investigations which are vital to the development of potential litigation vehicles.

MAXIMIZING THE IMPACT OF EEOC'S ENFORCEMENT ACTIVITES

The combined impact of our requested budget and the management initiatives outlined above will help ensure the successful implementation of several programmatic thrusts scheduled to be fully operational during FY 1985.

Improving the Quality of Investigations

EEOC intends to improve the quality of investigations conducted by increasing the number of onsite and extended investigations. In the past, the Commission used a rapid charge processing system designed to quickly resolve charges of employment discrimination. This approach often meant that inadequate relief was provided to victims of discrimination.

In its place, we have devised a system that allows us not only to process charges in an expeditious manner, but to do so in an effective manner which provides for appropriate relief. In modifying this system, we expect that more charges will be suitable for litigation.

Enhancing Public Access to Commission Staff

EEOC will also be making operating changes aimed at enhancing public access to the Commission's investigative staff.

We have found that language barriers, and to a large extent, geographical barriers often serve as impediments to individuals filing charges with the Commission.

For example, we have noticed a decrease in the number of national origin discrimination charges filed by Hispanic employees, while at the same time, there are increases in charges filed by other protected groups. We also discovered a direct relationship between the number of charges filed in a particular geographical area and the presence of an EEOC Office in that immediate vicinity. Not surprisingly, relatively few charges come from those geographical areas which are located in substantial distances from a Commission Office.

In light of this realization, we have initiated an effort to increase public access to the Commission. One component of this program is the establishment of satellite offices located in critical inner-city communities. Recognizing that even such efforts will not be successful in reaching everyone, our expanded presence program also includes sending staff teams to underserved areas on a regular basis. We are also strengthening our public information program with a number of brochures and public service announcements — in Spanish as well as in English — for radio and television.

Targeting Litigation on Meritorious and Precedent-Setting Cases

Great emphasis is being placed on improving the quality and nature of the cases EEOC brings to trial. All too often, the Commission's effectiveness is measured exclusively by looking at the number of cases being filed. While we intend to continue filing a large number of lawsuits, we also plan to make certain our litigation efforts represent the various types of discrimination which exist in this country, and to the extent possible, concentrate our efforts on cases which shape the law.

Where necessary, we will selectively utilize the power to initiate Commissioner charges to go after systemic problems which otherwise might take years to correct. The type of results which can be produced from a Commission-initiated systemic case can be found in the recent settlement with General Motors. In a pre-determination settlement on a Commissioner's charge, G.M. consented to provide more than $42.5 million in monetary and employment-related benefits for minorities and women.

The Burlington Northern case is another achievement of the past year which serves as an excellent example of the type of new and positive resolutions which are being produced by the Commission's litigation program. As a result of the Burlington Northern settlement, $10 million was provided in backpay to victims of past discrimination.

This settlement also made provisions for rejected Black applicants who reapply with the company to be given priority consideration for new jobs during the 6-year term of the decree. In addition, special transfer rights and seniority accumulation provisions will allow class members who were assigned to predominately or exclusively Black jobs to be trained and transferred into new crafts.

ENCOURAGING COMPLIANCE THROUGH EDUCATION AND ASSISTANCE

The Commission is authorized under Title VII to offer technical assistance to persons subject to our jurisdiction.

The Commission is currently implementing the initial phase of a new voluntary assistance program, a major initiative to provide educational and technical assistance to small and mid-size employers and unions — those employing or representing fewer than 500 persons. Assistance will be given in seminars where employers and unions may raise questions regarding their obligations and Commission procedures.

The second phase of the voluntary assistance program will be mini-courses at institutions of higher education. These courses will be designed to enlighten future managers regarding their responsibilities under EEO law.

Phase three will continue the education process by keeping employers informed on current developments in the area of equal employment opportunity law through a variety of trade and professional organizations and journals.

SUMMARY

The need for a strong commitment to the enforcement of equal employment rights is as compelling now as it ever was. To a certain extent, it is even more compelling today as proving discrimination has become more difficult and the issues have become more complex. During FY 1985, EEOC will mark its 20th anniversary. Noting this, Congressional approval for the requested EEOC budget for FY 1985 will ensure that the Commission is able to enter its third decade in the forefront of the struggle to eliminate employment discrimination.

TASK FORCE ON COMPUTATION FOR BENEFITS

Senator RUDMAN. When will that task force report be presented to you?

Mr. THOMAS. We have not really set a time yet. The task force should be meeting in the immediate future. The problem is there have been guidelines, loose guidelines, in place for most of the benefit calculations. Since the agency acquired the age discrimination area in the reorganization of 1979, those guidelines have not been changed to accommodate the age discrimination area. In the past, prior to my coming on board, there were efforts made to adjust the guidelines to accommodate the age discrimination area. However, no adjustments were made and we have some problems with the escalation benefits or at least the soft approach that has been taken. This case demonstrated that very clearly.

CHARGES OF EEOC EMPLOYMENT DISCRIMINATION

Senator RUDMAN. I think this is as good a place as any to discuss some things that were brought to the committee's attention by former employees of yours who have had various complaints.

We had Mr. Martin up here 2 days ago and he asked to testify as a public witness. I am sure you have been briefed on his testimony. I hope you have been briefed. Subsequent to that I asked the staff to look into it and they talked to Mr. Saltonstall, your office director up in Boston, and we were not completely satisfied with all of his answers.

For instance, the supervisor who struck Mr. Martin was originally suspended for 60 days without pay; it was reduced to 45 days as a result of mitigating circumstances—I might add this is because he had a clean record. This was the person who was found sleeping at his desk—by a U.S. District Court judge in Boston.

I am sure there were two sides to the story, there always are.

I am wondering whether or not you think that particular matter was handled well, whether Mr. Martin had a basis of correctness to his complaint. He essentially said because he was a white male he lost his job.

Mr. THOMAS. A white male took the action. First of all, let's go back a little bit. Mr. Martin's complaint was filed, as I understand, based on incidents which occurred in 1976 sometime and that certainly had nothing to do with me. I went to the Boston area office in 1982 after I came on board the Agency and I was absolutely appalled at the offices in some areas, and not only just Boston.

My management style at EEOC has been, in the personnel area, to be as tough as possible, but also fair. That is different from the policies that had been in place in the prior years, I am told. I do not countenance individuals who do not perform in office. There are grievance procedures, EEO procedures, we follow closely. I am the ultimate review official on grievance procedures and I do look carefully at those.

I believe that under the grievance procedures, the supervisor involved was dealt with adequately. I think that same supervisor is the subject of close scrutiny by our area office director. We have taken action against other supervisors. This individual has been dealt with. Because this is an ongoing matter and because some of this matter is in litigation and the sensitivity of personnel action, those cases are being dealt with.

I have a policy to support my managers when they take strong personnel actions. I think that the action has been fair and I read Mr. Martin's statement and—I am not a student of logic anymore but I think his statement has a lot of problems internally, some of the nexus that he attempts to draw between certain events and things that have happened to him don't apply. He has not been found to be one of the class members of Jurgens yet. That is an ongoing matter and is a matter that predates me.

The bottom line is that in this area we have attempted to take very, very strong personnel actions against people who are not productive in the Agency. I certainly have not condoned nor permitted unfair actions or discriminatory actions against anyone, including white males.

FOLEY VERSUS NORTON, U.S. DISTRICT COURT, BOSTON

Senator RUDMAN. Let me ask you whether the *Foley* v. *Norton* case in the U.S. district court in Boston, which was decided in January 1983—that case is similar—started about the time you came to your present job.

Mr. THOMAS. I think the litigation started, the trial may have started and I think our present area director testified at that trial, but the matters involve actions prior to my coming on board.

Senator RUDMAN. And you are familiar with that case? There is no need my going into details.

Mr. THOMAS. I am aware of it.

Senator RUDMAN. The court found that Ms. Foley was publicly criticized for minor infractions, but these infractions were less serious than office violations by co-workers that had gone uncorrected. She also received obscene and threatening phone calls, including a call, answered by her son, where the caller stated, "We cut your mother's radio cord. We can cut your mother's throat, too."

PROBLEMS IN THE BOSTON OFFICE

I guess that kind of affirms what you said, that you found a real mess in that office.

Mr. THOMAS. Well, there are problems. At my confirmation hearing I indicated to Senator Eagleton that I was aware that there were problems with the Agency. I did not know the extent of the problems nor was I aware of what I was actually getting into. One of the areas where we think we have to spend a lot of time is in the personnel area. For every action that we take, virtually in the negative, in the personnel area, we get grievances and EEO complaints. Not all of them are meritorious. Many of them are frivolous.

We believe that these cases—both of them, litigated in court—are unusual cases. We recognize that we have problems in Boston. I changed the area director as soon as I got back from that trip in 1982. We have put in management systems and we are going about cleaning up the personnel problems that we have. That takes time.

Senator RUDMAN. Have you been furnished with a copy of the Foley case?

Mr. THOMAS. I have not read the case. As I said, I am aware of the case.

Senator RUDMAN. You probably ought to. I don't know at what point in time these findings were made. They were pretty serious indictments on the management of the Boston office. I would think that the Committee would feel a lot better about the funding that we are asked to furnish if we had some of the information as to things that had been coming down which would change those findings of fact.

Mr. THOMAS. I think, Mr. Chairman, that with respect to things like lost files and such, I recognize those problems; I saw those with my own eyes. I have pictures, photographs of them myself and I was appalled since many many complaints have been handed out as to the management of the Agency in the past.

We think we have an excellent manager there now and those problems have been remedied—many of them have been remedied, management put in place, personnel action taken, et cetera. We think that we can address those findings of fact either with complete changes or with a time table or proposed resolution of the problems.

Senator RUDMAN. I think that we would like to be advised as to the progress because, obviously, there is a real problem up there. One thing you could do, I would not even suggest it except to point it out, you could send your IG to Boston and have him report back to you and your committee as to whether or not some of these things that are so outrageous in the judge's decision—I have no reason to think they are not—are out of control.

Mr. THOMAS. I have taken a visit there myself. I have been there. Boston is an area that I get to fairly frequently. I am confident that, particularly with the manager that we have there now, that those problems have been remedied. We are looking into other aspects of possible impropriety. I will be more than happy to report back to this committee the changes we have made.

Senator RUDMAN. We will leave that to you. I think it is in your own interest to do that.

EEOC COMPLAINT INVENTORY

Last year in your prepared statement you stated that the pending complaint inventory would be 3.5 months at the end of fiscal year 1984. On page 8 of your budget justification, you now project a backlog of 7.9 months for the same period.

Can you tell us the reason for this disparity?

Mr. THOMAS. First of all, we do not run a backlog. Our backlog today is negligible, about 700 cases out of 100,000 cases. Nor do we have a rise in complaint inventory. We have eliminated the cases over 300 days. We have about 3 percent of our cases at that age now.

What we have attempted to do is to make some adjustments between the number of cases that we litigate and the speed in which we eliminate cases from the Agency. There is a balancing act going on there.

We have adjusted our charge processing system so that in the future we will investigate cases more fully than we do now. Right now most of our cases go through what we call our rapid charge system—with the average time for processing for that system being about 155 days. When we move to our new system, without again increasing significantly our staffing, we are going to experience some increase in the average age of our inventory. That is unavoidable, but we think it is worth the disadvantage of aging the inventory some to get the major cases that we are going to need to make law in this area as well as investigate some of the major class action cases.

I don't know whether you had an opportunity to see some of the criticisms of our General Counsel of the rapid charge system. His complaint is when you move the cases along rapidly, you do not have an opportunity to fully investigate them.

Our effort is to balance between rapidly moving the cases and having the cases fully investigated for litigation.

EXPLANATION OF BACKLOG

Senator RUDMAN. So when you project a backlog to grow to 9.4 months in fiscal year 1985, what would comprise what you call backlog?

Mr. THOMAS. The backlog, as I remember, were cases filed prior to 1979. Those were much, much older cases, some of them, as old as 10 years. The cases we have now, less than 5 percent of our caseload, is over 300 days old. So we don't have that kind of old, old inventory.

Senator RUDMAN. I would think probably it might be better in the justification to set that up. The way it looks is deceiving. It doesn't serve you well.

FUNDING FOR STATE AND LOCAL GRANTEES

According to your figures, your state and local grantees will resolve 47,000 cases in fiscal year 1984, with $18 million in EEOC funds. At the same time, EEOC will resolve about 69,000 with the remaining funds—with $143 million. That is a disparity. Can you tell us the reason for that?

Mr. THOMAS. First of all, the State and local agencies, only get a portion of their funding from us. We pay them on a per charge basis. The average cost, according to our estimate, of the State and local agency resolving the charge is approximately $2,200. We pay $420 per charge. We pay them per charge that they can handle for us.

Senator RUDMAN. The ranking member of our committee, Senator Hollings, has a question. I will ask the staff to read the question.

EEOC BUDGET JUSTIFICATION

Mr. SPEES. From Senator Hollings. Mr. Thomas, I noticed that your justification is stamped "Administratively Restricted." I don't blame you. I would not want anyone to see it, particularly President Reagan or David Stockman.

President Reagan did not transmit the fiscal year 1985 budget until February 1, 1984 and the Commission's justifications were not received by the subcommittee until late February. With all this time to prepare the budget document we find many conflicting items in the 1985 presentation. For instance:

The language on page I–Y16 of the 1985 budget appendix indicates that the payments to the State and local enforcement agencies are to decrease to $18 million in 1985. The appropriation language submitted in the justifications shows that such payments are to remain at $19 million. Which is correct?

Mr. THOMAS. Nineteen million. That is the figure that we have.

Senator RUDMAN. So the figure is $19 million and not the $18 million in the President's budget?

Mr. THOMAS. It is $19 million.

Mr. FISHEL. The $19 million should show in the actual budget as proposed by the President. That is the budget appendix. The budget, however, is a different document than the budget appendix.

Mr. KANE. This is the language transmitted by the President, reduction from $19 million to $18 million.

Mr. FISHEL. That is incorrect.

Mr. SPEES. The personnel summary in the appendix also indicates that the EEOC will have 3,127 positions and 3,125 full-time equivalent employees in both fiscal years 1984 and 1985. Mr. Thomas, your statement says at the top of page 2 that the budget level for 1985 "is actually 50 positions more than was funded by Congress in this (1984) year." Again, which is correct?

Mr. THOMAS. There is no inconsistency there. Congress did not fund 3,125 last year. The FTE level in fiscal year 1984 in our budget request for that fiscal year would have fully funded that FTE. Congress did not fully fund the FTE. Congress reduced our budget request by $3 to $4 million last year. This fiscal year we have fully funded that FTE.

Mr. KANE. You are saying the 3,125 was authorized by the White House, but was not actually funded by the money presented?

Mr. THOMAS. That is right.

Mr. FISHEL. The 3,125 was authorized by both the President and the Congress, but the funding for the 3,125 was not provided in our appropriations bill so our ceiling was 3,125 in fiscal year 1984 and as proposed in fiscal year 1985. However, we have requested full funding for the 50 positions that were unfunded last year.

SUBMITTED QUESTIONS

Senator RUDMAN. I think we will have a few other questions. we will keep our record open for sometime until the first of May. We thank you very much.

[CLERK'S NOTE: The following questions were not asked at the hearing, but were submitted on behalf of the subcommittee for response subsequent to the hearing. Questions from Senator Hollings appear on page 1006:]

QUESTIONS SUBMITTED BY SENATOR RUDMAN

Senator Rudman: Mr. Thomas on Monday morning we heard some disturbing testimony about the EEOC during our public witnesses hearing. Mr. John Martin testified that he was the victim of unlawful employment practices in that the EEOC discriminated against white males as a class. He further testified that he filed a charge of employment discrimination with the EEOC as is his right under the law. After he filed the suit, he was subjected to harassment and last year he was physically attacked and choked into unconsciousness while at his desk. According to his testimony, no person was arrested or disciplined for this attack.

--Did you investigate the allegations of physical abuse?

--Why were the perpetrators not disciplined?

Mr. Thomas: The allegations were investigated by a Commission representative from Headquarters shortly after the altercation referred to by Mr. Martin. Contrary to Mr. Martin's testimony, the perpetrator was suspended without pay for 45 calendar days as a result of the investigation into the altercation. The investigation found that the altercation itself was brief, Mr. Martin did not apparently lose consciousness, and the supervisor who was present when the incident began intervened immediately to stop the perpetrator's assault.

In addition, the altercation was considered serious enough to warrant dismissal of the perpetrator; however, upon further investigation, it was found that the perpetrator was experiencing great emotional stress and instability due to personal problems at the time of the altercation. In light of this and the fact that the perpetrator had a good record of 27 years of Federal service, the suspension was considered appropriate disciplinary action.

Mr. Martin, who was represented by counsel and was well aware of his administrative and statutory rights, did not choose to file an EEO complaint or labor-management grievance regarding the assault.

Senator Rudman: Why were the perpetrators not disciplined?

Mr. Thomas: (Continued from previous page) He did not choose to file criminal charges against the perpetrator.

Mr. Martin's counsel indicated to the Commission that Mr. Martin wanted to "shake hands" with the perpetrator and "to forget the incident."

Senator Rudman: Mr. Martin's case is not unique in the Boston Office where he worked. In June 1983, in the case Foley v. Norton, the U.S. District Court found the plaintiff was a victim of harrassment when she filed an employment discrimination case against the EEOC. The court found that Ms. Foley was publicly criticized for minor infractions of office policy, "but that these infractions were substantially less serious that office violations by co-workers that had gone uncorrected."

Further, the court found that "subsequent to the filing of her complaint, the cord of Foley's radio, which she kept at work, was cut. She also received obscene and threatening phone calls, including a call, answered by her son, where the caller stated, "We cut your mother's radio cord. We can cut your mother's throat, too."

--What could EEOC do for a client that had suffered this type of harrassment from a private employer?

--Why did a court have to make these findings and why didn't EEOC investigate the case and resolve the matter first?

--What corrective measures have been taken?

Mr. Thomas: Develop factual information and render the appropriate administrative determination.

EEOC did investigate Ms. Foley's case first in processing her EEO complaint. Ms. Foley chose to pursue her rights further by filing suit in U.S. District Court after EEOC's investigation found no supporting evidence to believe her allegations were true.

Also, Ms. Foley's allegations in her lawsuit were somewhat different than those raised in her administrative allegations investigated by EEOC. The court found on Ms. Foley's behalf on the basis of the different allegations, however, the finding of the Court did not fully agree with our finding with regard to the actions of our former Boston Area Director. The Court found that our former Area Director encouraged hostility towards Ms. Foley on the part of her co-workers. We believe that the former Director attempted to make co-workers aware of the problems encountered by Ms. Foley; we disagree that he encouraged hostility towards her on the part of her peers. In addition, the Court did not find that Ms. Foley was threathened by (nor that her personal property was destroyed by) co-workers.

Senator Rudman: What corrective measures have been taken?

Mr. Thomas:

I was aware of problems in the Boston Office long before the court decision was rendered in Foley vs. Norton. We had taken, by the time of this trial, significant steps to improve operations in our Boston Office itself and from Headquarters. On November 1, 1982, I assigned a new manager as Director of the Boston Office. Headquarters management oversight and intervention continue to address some issues that persist in the Boston Office, including those relating to personnel. The Boston Office is now on sound management footing as it is now beginning to show positive operational results as well as having improved its public image in Boston and New England.

Senator Rudman: The same lawsuit makes some disparaging findings about the management of the Boston Office. The court found that:

--Filing was in such a disarray that many files were lost.

--12,000 obsolete or closed files were mixed in with current files.

--Claimants who called to check the status of their claims were stalled and their phone calls were not returned because their files could not be located.

The court went on to say that, "the present Director testified the office had not been understaffed and I draw an inference, therefore, that employees were not doing their jobs.

--If people are not doing their jobs, why aren't you terminating them and reducing your request?

--What is being done to correct this situation?

Mr. Thomas: At the time that the Boston Area Office Director testified in court about the above problems, many actions had already been taken to remedy these problems. Lost case files were reconstructed, and all of the more than 12,000 obsolete or closed files had been destroyed pursuant to EEOC's records disposition program. Following these actions, a new records disposition system was instituted by the Boston Area Director, and a hard inventory of current cases was conducted. Members of the public seeking information on the status of their cases now receive prompt service and replies to their inquiries. The improvement in the operations of our Boston Area Office now translates into an effective utilization of resources and staff is working to meet the needs of complainants in New England.

EEOC has developed and implemented, nationwide, a performance monitoring and appraisal process. As a result of this process, all employees with performance-related deficiencies are identified, counseled and provided training to improve their performance. In those cases where performance improvements are not made, EEOC managers propose disciplinary action considered appropriate (including termination) within the guidelines established by law and regulation.

Senator Rudman: The Court also found that:

--One employee had been sleeping at this desk 2 or 3 times a week for 4 years and had not been disciplined,

--Two supervisors consistently returned from lunch showing signs of consumption of alcohol 2 or 3 times a week for approximately 4 to 6 years.

--Are these some of the reasons your justification indicates that the length of time to settle a case is growing?

--What is being done to correct this situation?

Mr. Thomas: The court found that two supervisors showed signs of alcohol consumption on a recurring basis. Without going into details as to whether these two individuals may have had personal problems, one of the two supervisors was voluntarily downgraded, and the other is currently subject to the terms of an employee performance improvement plan.
The increase in EEOC's charge inventory is largely a function of the number of charges being filed with the Commission. For example, in EEOC's FY 1984 Budget Justification, it was projected that 58,000 charges would be filed with the Commission in FY 1983. In fact, EEOC received nearly 67,000 charges to process. Similarly, the FY 1984 Budget Justification projected the FY 1984 charge processing workload to be 68,000, whereas it is now calculated, it will more likely be around 77,000.

Senator Rudman: Given all the above, why should you receive any additional monies until we receive proof of major reforms?

Mr. Thomas: The Commission has already undertaken several major management and program reforms, many of which have been and will continue to be implemented during this fiscal year.

Senator Rudman: You recently sent up a reorganization plan that will enhance the role of Regional Offices. Why should we allow any program that will enhance the Boston Office?

Mr. Thomas: With the corrective measures that have been taken to resolve the problems in the Boston Area Office, I believe that the reorganization plan will have a positive impact in that office's overall operations. Most of the functions to be performed by the Boston Area Office, after reorganization, are similar to those the office is already performing, with improvements that will enable the Boston Office to handle Title VII cases through extensive investigation and conciliation processes that are now performed by the New York District Office. Not only has the Boston Office shown its increased capability in processing charges recently, but also, with the relocation of the office to the John F. Kennedy Federal Building, the Boston Office is receiving increased number of charges compared with the same period one year ago. I am confident that the reorganization plan with regard to the Boston Office will prove beneficial to that office, and thus will benefit the public which it serves.

Senator Rudman: In your prepared statement submitted to the Subcommittee last year, you stated that the pending complaint inventory would be 3.5 months at the end of FY 1984. On page 8 of your budget justification, you now project a backlog of 7.9 months for the same period. What is the reason for this disparity?

--Why do you project the backlog to grow to 9.4 months in Fiscal Year 1985?

--What type of justice is served over a 9-month delay?

Mr. Thomas: The larger than anticipated inventory is based on EEOC's substantial increases in charges during FY 83 and FY 84. (Receipts are up 30% during this time frame) The projected increase in the inventory at the end of FY 85 is based largely upon three factors: 1) a continued level of increase in charge receipts; 2) the conduct of more full investigations, including on-site reviews; and 3) level staffing in professional positions.

Not all charges will take nine months to process. Charges requiring full investigations will require longer periods of time to complete.

Senator Rudman: What is the current on board staffing level of the EEOC? Do you expect to reach your authorized and budgeted staff level of 3,125 in FY 1985?

Mr. Thomas: The current on board FTE staffing level is 3,084. The Agency intends to reach the staff level of 3,125 in FY 1985.

Senator Rudman: According to your budget justification, you will close 68,758 cases in FY 1984, but only 68,662 in FY 1985. With an expected budget increase of nearly $10 million over last year and a larger staff, why do you expect to close fewer cases?

Mr. Thomas: The budget increase which we have requested will be devoted largely to mandatory overhead costs over which we have no control. We will also be filling approximately 50 FTE in order to reach our previously authorized personnel ceiling. As a practical matter, most new hiring in the Field, where our charges are processed, will be to fill clerical vacancies in order to alleviate understaffing in those positions.

Senator Rudman: According to your justification, the backlog of pending cases resolved by your State and Local grantee agencies will grow from 39,000 cases at the end of FY 1984 to almost 46,000 cases at the end of FY 1985. Why then are all your budgeted increases requested for the Federal EEOC activities, while the level of State and Local grants remain the same?

Mr. Thomas: The only increases the Agency is requesting are for those mandatory items over which we have no control (e.g. SLUC, telephone and postage costs) and 50 FTE that would enable us to hire up to the authorized personnel ceiling. The funding level established by contract for 706 Agency charge closure is not based on the full cost of this activity, but rather represents only a portion of the cost. Each 706 Agency would make the same type of requests for increased funding for personnel and overhead to the State.

Senator Rudman: According to your figures, your State and Local grantees will resolve 47,000 cases in FY 1984, with $18 million in EEOC funds. At the same time, EEOC will resolve about 69,000 with the remaining funds--$143 million. How do you explain this apparent disparity in productivity?

Mr. Thomas: The actual State and Local figure is $19 million vs. $18 million as stated in your questions. The funding level established by contract for 706 Agency charge closures is not based on the full cost of this activity, but rather represents only a portion of the cost to the 706 Agency.

Moreover, the FEP agencies operate substantially as funding from their own legislatives and/or governing bodies, also, the $143 million also funds EEOC administrative support costs attributable to the 706 agencies program.

Senator Rudman: On page 6 of the budget justification, you mention "adequate funding for worksharing agreements with State and Local Fair Employment Agencies will allow these agencies to continue in a full partnership with the Federal Government in expeditiously resolving charges."

--Explain how these agreements are arrived.

--What factors are they based on?

--How are the funding levels determined?

Mr. Thomas: Working out the terms of the agreements between EEOC and the State or Local Agency begins with EEOC sending funding principles and a staff discussion paper to each State or Local contract agency.

A State or Local conference is held annually which is attended by two delegates from each State or Local agency and by representatives from the staff of the EEOC.

At the conference, all agency representatives are given the opportunity -- indeed they are encouraged to give their views on a variety of matters. Specific comments regarding the principles are recorded.

After the conference, the agencies are given another month to comment on the principles. When the comments have been received and analyzed, EEOC writes a set of funding principles which are voted on by the Commission. Contracts are then negotiated and awarded based on the level of funding EEOC received from Congress. The EEOC District Office Directors are responsible for recommending contract levels and monitoring contracts within their jurisdiction and for making appropriate modifications based on performance.

Senator Rudman: A Voluntary Assistance Program is to be implemented in FY 1985.

--Please describe this program in detail.

--What level of funding, if any, is required?

--Does it require any change of staffing?

--What effect will it have on the number and types of claims filed with the EEOC?

Mr. Thomas: Phase I of the Voluntary Assistance Program consists of providing small to mid-size employers with educational and technical assistance on their rights and obligations under equal employment opportunity (EEO) law.

The program was developed to better fulfill EEOC's obligation to comply with Section 705 (g) of Title VII of the Civil Rights Act of 1964 and Section 6 (b) of the Age Discrimination in Employment Act of 1967 by providing such assistance to employers who, because of their size and limited resources, are most in need of this type of information.

In developing the program, EEOC sought input from all to be affected and identified pertinent recurrent employer concerns.

The program operates by inviting employers to attend a symposium on specific topics of importance to them. The program opens with a brief description of the program, followed by presentations of existing Commission policy on requested topics, related case studies and finally by a participants' question and answer session, where the participants may ask all but company-specific questions, advice and/or guidance.

The program is currently being piloted in our District Offices and is undergoing evaluation in order to prepare for full-scale implementation in FY 1985.

Senator Rudman:

—Please describe this program in detail.

--What level of funding, if any, is required?

--Does it require any change of staffing?

--What effect will it have on the number and types of claims filed with the EEOC?

Mr. Thomas: Preliminary results indicate that participants find the sessions extremely productive and wish to extend the time of the symposia in order to cover more material.

We are also developing Phases II and III of the Voluntary Assistance Program. Phase II will consist of a plan to develop and provide curricula to institutions of higher education that is designed to reach business majors on employer rights and obligations under EEO law. In Phase III, we will disseminate technical articles on recurrent employer/union EEO concerns through trade journals and other media. We expect to have Phases II and III operational in FY 1985.

The only new costs incurred by the Commission for this project are for printing the Voluntary Assistance Notebooks and pamphlets, which contain information on the program as well as detailed information on topics covered at the symposia. These publications will cost the Commission about $112,000.00 in FY 1984. We anticipate that about that same amount will be expended in FY 1985 for publications.

Other costs such as optional travel to conduct symposia outside the cities in which the District Offices are located and for facilities used to conduct symposia (hotels, universities, etc.) will amount to $32,500.

Senator Rudman:

--Does it require any change of staffing?

--What effect will it have on the number and types of claims filed with the EEOC?

Mr. Thomas: The Office of Special Projects was created to handle just this type of project--that is, projects requiring interoffice coordination; one that does not clearly nor appropriately belong in any one Commission office. Further, as senior management is responsible for conducting symposia, the Voluntary Assistance Program has not required any change in staffing.

As this program is designed to aid employers avert the adoption or use of potentially discriminatory EEO policies and practices, we anticipate that, if successful, the program will be one of prevention, resulting in a reduction of illegal discriminatory actions and subsequently, the number of charges filed.

To date, some measurable worth of the program has been evidenced. For instance, a company attending one of the symposia told us that it settled two charges as a result of knowledge gained by attending the symposium. It is too early for us to have any indication, however, regarding the effect on the types of claims or the nationwide impact on the number of charges filed with the agency.

Senator Rudman: On page 4 of your budget justification, you state that discrimination has changed its form. What is meant by this? What policy changes are being made with regard to this?

Mr. Thomas: It has been our experience that current employment discrimination issues are often more complex than in the past. For example, more charges allege discrimination in the provision of fringe benefit packages, which constitute a growing percentage of an employee's total compensation. Allegations of discrimination are often more difficult to prove, and the nature of proof required to support a judicial finding of discrimination has become more sophisticated. In response to these trends, we have begun to fully investigate charges of discrimination where those charges present complex issues or where only an indepth investigation can elicit the facts necessary to support a finding as to the merits of the charge.

Senator Rudman: How are your policies determined? Do you coordinate with the U.S. Commission on Civil Rights, the White House, the Justice Department, and the Labor Department or do you strike off on your own?

Mr. Thomas: Policies are usually drafted by Office of Legal Counsel staff under direction of a Commission policy review committee. After coordination with other Federal agencies, and if appropriate, publication in the Federal Register for notice and comment, the Commission considers and approves/modifies/rejects the policy.

Proposed policies are coordinated with other Federal agencies. The nature of the issue dictates with which agencies we coordinate, e.g.:

- internal EEO --- all Federal agencies
- pension issues concerning ADEA --- Labor and Internal Revenue Services (IRS)
- Compliance Manual sections relating to Title VII --- Labor, Justice, Education, Revenue Sharing, the Civil Rights Commission and agencies with which EEOC has memoranda of understanding.

There is no procedure for White House involvement in policy development;

however, the OMB reviews proposed rules and guidelines under Executive Order 12291 and the Paperwork Reduction Act.

Senator Rudman: The EEOC and other Federal agencies have proposed various alternatives to the Government's System for Resolving Federal Employees' Discrimination Complaints. The present system has been criticized repeatedly for being cumbersome, time consuming and unnecessarily expensive. What is the status of proposals to improve the system?

Mr. Thomas: We are preparing regulations for comprehensive system reform which are currently going through the internal clearance process, preparatory to circulation for comment by Federal agencies.

Senator Rudman: Two years ago, EEO Directors estimated that the cost of processing an EEO complaint was between $20,000 and $40,000. In Fiscal Year 1981, it took on the average 611 days to decided the Merits of a Discrimination Complaint Case. Aren't there some practical ways to make this system more efficient?

Mr. Thomas: Yes. We believe our proposed comprehensived revisions will do just that. Until such time as those are approved, we are proposing interim amendments to streamline the current system and providing technical guidance and assistance to agencies, to help them make their own internal complaint processing programs more efficient.

Senator Rudman: In July 1982, the GAO recommended that EEOC should lead a review of the uniform guidelines on employee selection procedures to clear up problems with the procedures and make them easier for Federal agencies to understand. What has the EEOC done about this issue?

Mr. Thomas: On March 15, 1983, the Commission voted to review only those sections of the guidelines which are concerned with recordkeeping of adverse impact data. This review is, in part, a response to Executive Order 12291, which created the Presidential Task Force on Regulatory Relief and which designated the entire guidelines for review.
The Commission decided that sections of the guidelines which related to technical standards of validation should be not reviewed until the American Psychological Association's (APA) Committee to Develop Joint Technical Standards for Educational and Psychological Testing had completed its work. EEOC's decision was made subsequent to the issuance of GAO Report No. 82-26 on July 30, 1982, and there has not been any significant disagreement with the conclusion to review only the recordkeeping provision.

The fact is that the APA's Committee on Psychological Testing and assignment has failed to endorse alternative testing standards or methods. Although the current standards contained in the guidelines have been under review since 1981 by the APA's Committee to Develop Joint Technical Standards for Educational and Psychological Testing, no current consensus exists supportive of the proposed revisions to the guidelines. Thus, prevailing standards are those established in 1974 by the APA, on which the current guidelines were constructed.

A review and revision of the current guidelines would be premature and perhaps unnecessary, since the ongoing debate among testing professionals clearly demonstrates that alternative standards to those issued in 1974 have yet to be developed. Therefore, at the present time, the Commission believes that a review of the guidelines should be not undertaken until such time as new standards have been developed.

Senator Rudman: Order 110 proposes a revision of the Field structure. Please outline the provisions of the reorganization. What precipitated this change?

--When do you expect the reorganization to be fully implemented?

--What effect will the reorganization have on fund allocation?

--What effect will the reorganization have on staffing levels?

--As a percentage figure, how many EEOC people are employed outside of Washington, D.C.?

--What, if any, effect does the proposed reorganization have on this figure?

Mr. Thomas: EEOC's previous Field structure consisted of two levels of offices, whereas the new structure will have three levels. To the previous designations of Area and District Offices, we have added Local Offices. This realignment is meant to correct certain deficiencies in the previous structure, which include:

Substantial differences in workload among the offices. These disparities range from a total annual workload of 171 charges in one office to 3,146 in another.

Since 1979, when the two-tier Field structure was adopted, charge receipts in several Area Offices far exceeded expectations. In 1983, for example, 14 Area Offices received over 800 charges. One effect of this initially unanticipated workload volume was staffing imbalances between District and Area Offices. These imbalances coupled with general understaffing in both District and Area Offices, primarily in the West Coast, and parts of Texas necessitated adjustments to present staffing allocations. The high workload volume in some Area Offices also had an impact on the operation of the Commission's administrative and litigation enforcement programs. Under the previous structure, District Offices conducted the full complement of investigative and enforcement activities whereas Area Offices performed only "Rapid Charge" functions, i.e., intake and fact-finding. Although procedures under that system provided for the transfer

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Mr. Thomas:

of potentially litigable cases from Area to District Offices for continued investigation and processing, the process was cumbersome and problem-prone since attorney involvement did not occur until late in the process. Because most of the charges processed in Area Offices were resolved through the Rapid Charge system, they were settled through negotiation procedures and few cases were flagged for potential enforcement (litigation) activity.

A thorough study of Field Offices' activity, workload and staffing patterns covering the last 4 years resulted in the reorganized three-tier system. This system provides for all 22 District Offices previously designated as such to remain so. (In two cases, staff is being reduced, but all previous functions remain in place.) The two offices where staff will be reduced are Atlanta and Memphis. Staff displaced as a result of insufficient workload will be offered jobs in a number of other Field Offices where the workload requires more personnel. The new system also provides for the "upgrading" of 14 Area Offices. In these offices staff will be increased to better match the workload, and the charge processing

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Mr. Thomas:

activity previously limited to "Rapid Charge Processing Procedures" will be expanded to include extended/continued investigation of charges that are determined to be unamenable to rapid processing. Finally the new system provides for nine offices (previously designated as Area Offices) to become Local Offices. These offices will continue to process charges through the Rapid Charge Procedures. These offices were designated as Local Offices because they received a sufficient number of charges to justify permanent Commission presence in their jurisdictional area, but the workload is not substantial enough to justify expansion through extended investigation functions.

EEOC's internal budget procedures allocate funds only to the District Office level. Since the major impact of the reorganization is below that level with the establishment of new responsibilities for Area and Local Offices, the reorganization should not have any significant impact on the fund allocation to District Offices.

None overall. Personnel slots will be moved from and to different offices in the Field, but no additional slots have been requested for FY 1985.

Seventy-six (76) percent.

Virtually none.

Senator Rudman: You requested a level of $105,385,000 and 2,394 FTEs for District and Area Offices. Please provide a breakdown as to how these funds would be allocated to the various offices.

Mr. Thomas: The funding breakdown by District Office is as follows:

OFFICE	FY 1984 - FUND BREAKDOWN
Atlanta District Office	5,634,600
Baltimore District Office Norfolk Area Office Richmond Area Office Washington Area Office	7,131,300
Birmingham District Office Jackson Area Office	5,854,800
Charlotte District Office Greenville Area Office Greensboro Area Office Raleigh Area Office	5,590,600
Chicago District Office	4,710,200
Cleveland District Office	4,622,200
Dallas District Office El Paso Area Office Oklahoma City Area Office	5,370,400
Denver District Office	2,905,300
Detroit District Office	3,609,700
Houston District Office	5,942,700
Indianapolis District Office	2,773,300
Los Angeles District Office San Diego Area Office	5,238,500
Memphis District Office Louisville Area Office Nashville Area Office	5,282,500
Miami District Office Tampa Area Office	4,402,000
Milwaukee District Office Minneapolis Area Office	2,993,400
New Orleans District Office Little Rock Area Office	4,842,200
New York District Office Boston Area Office Buffalo Area Office	5,810,700
Philadelphia District Office Newark Area Office Pittsburgh Area Office	6,427,000
Phoenix District Office Albuquerque Area Office	4,005,800

Funding breakdown by District Office :

OFFICE	FY 1984 - FUND BREAKDOWN
San Francisco District Office Fresno Area Office Oakland Area Office San Jose Area Office	4,534,100
Seattle District Office	3,125,500
St. Louis District Office Kansas City Area Office	4,578,200
TOTAL	$105,385,000

Senator Rudman: Are any District Offices scheduled to be downgraded to an Area or Local Office?

--What, specifically, amount of permanent change of station (PCS) funds need to be expended for a downgrade? For an upgrade?

--What amount of PCS funds is available?

--Will the staffing levels of the Memphis and Atlanta Offices remain the same even though they do not meet the workload criterion for a District Office?

--Why is the Fresno Office not slated for closure if it processes an average of only 133 claims per year?

Mr. Thomas: We cannot assess the exact amount at this time because we do not know the actual number of employees involved until the reorganization takes place. Some employees may choose to seek employment outside of the Agency, some may seek transfer to other Agency Offices, while some may retire. We project $450,000, if 18 of the displaced employees (about half) from Atlanta and Memphis opt for relocation.

The Atlanta Office's workload more than meets the criterion for designation of a District Office, while Memphis' receipts are close enough to justify leaving it as a District Office, in light of the considerable funds required to relocate the legal and support staff, should the office be downgraded. However, both Memphis and Atlanta are overstaffed for current and projected workloads. Thus, despite both offices remaining designated as District Offices, they will be involved in RIF procedures to better match up staff and workload. Atlanta currently has 125 employees; it will be reduced by 12 professional slots and be staffed at a total of 113 positions under the reorganization. Memphis is currently staffed at 94; it will be reduced by 24 clerical and professional positions and be staffed at a total of 70 positions under the reorganization. Employees reduced from these offices will be offered positions in other Agency Offices where exist.

Senator Rudman: Is there a duplication of effort between the 706 Agencies and EEOC Offices in processing claims?

--Are any EEOC Offices located where a 706 Agency is capable of handling all charges in that area of jurisdiction?

--If so, why?

Mr. Thomas: The worksharing agreements entered into with the 706 Agencies are specifically written and intended to prevent such duplication of effort. The agreements address types of cases, specific respondents and/or geographical areas of responsibility.

Further, as you are aware, the EEOC has attempted to streamline the administrative review of charges processed by the 706 Agencies by certifying most the 706 Agencies. Such certification asserts that those agencies are capable of producing cases of a quality consistent with our own efforts. With few exceptions, most charges processed through certified agencies are not further processed by EEOC, and therefore, there is no duplication of effort.

The answer is no. Although there are 706 Agencies located in the same city, or with the same or similar geographic coverage, there is a dissimilarity in coverage. Most 706 Agencies located in the same city and/or state have other areas of coverage (e.g., housing, public accommodation, public works contracts minimum wages, and credit practices) which preclude their expending total resources in the area of employment. It is because of their lack of local resources, both person-power and financial, that our budget currently includes $19 million dollars directed to them.

Senator Rudman: On page 7 of your justification, you mention the National Litigation Plan begun in FY 1984.

--Please describe this program in detail.

--Do you work with the Justice Department on this? If so, how?

--What types of charges do you plan to litigate? How is this different than in prior years?

Mr. Thomas: The National Litigation Plan was unanimously adopted by the Commission on November 22, 1983. The plan, identifies five categories of cases that the Commission considers to be of the highest priority for its litigation program. The purpose of the plan is to set forth certain basic principles the Commission has adopted to guide its legal and compliance staffs in the selection of charges appropriate for extended investigation in anticipation of litigation.

The five categories of charges identified in the plan are not ranked in any internal order of priority. The categories essentially reflect the types of cases that the Commission has been striving to obtain in past years, but without the benefit of a formally adopted plan to guide the Field Offices. Moreover, it is important to emphasize that the Commission will continue to consider all cases presented for litigation authorization regardless of whether a particular case falls precisely within any of the priority litigation categories.

The five categories of the plan are: (1) charges presenting legal issues that have the potential of promoting the development of law favorable to the antidiscrimination purposes of the statutes enforced by the Commission (Title VII of the Civil Rights Act of 1964; the Age Discrimination in Employment Act of 1967; and the Equal Pay Act of 1963); (2) charges alleging challenges to the integrity of the Commission's charge investigation and conciliation process; (3) charges alleging violations of established antidiscrimination principles, whether on an individual, class, or systemic basis; (4) charges by protected groups and individuals in need of enhanced Commission services; and (5) charges involving issues or respondents of special concerns to the particular geographic region served by each of the Commission's District Offices.

The Commission, on March 20, 1984, approved a list of specific issues and charge categories appropriate for extended investigation and possible litigation by the Commission under the first or "law development" category of the plan. The Commission's 22 District Offices now are in the process of developing local litigation plans pursuant to the fourth and fifth categories of the plan. As with the five basic categories of the plan, these lists are intended solely as internal guidance to Commission personnel and do not define or limit in any way the types of cases the Commission may choose to litigate.

Since the National Litigation Plan constitutes internal litigation strategy and guidance for the use of Commission attorneys and compliance personnel, the Commission did not coordinate the drafting of the plan with the Department of Justice.

Senator Rudman: What is the current lapse rate? What is the target lapse rate? What measures are being taken to achieve the target?

Mr. Thomas: The current lapse rate based on the Agency's planning figure of 3,075 full-time equivalent employment (FTE) is less than one third of one percent. As the personnel ceiling is based on FTE, the Agency attempts to keep the lapse as close to zero as possible.

Senator Rudman: Please provide data on the amount of outstanding debts collected in Fiscal Years 1982, 1983 and projected for Fiscal Years 1984 and 1985.

Mr. Thomas: Of the $1,200,000 in travel debts at the beginning of FY 1982, all but approximately $100,000 has been collected over the Fiscal Year 1982/1983 time period. The balance will be resolved in FY 1984. New travel debts are being collected on a current basis and are not being allowed to become delinquent. We believe this record is a significant management improvement for the Commission.

Senator Rudman: What is the average time to process each type of charge in FY 1984?

--What do you expect it to be in FY 1985?

--What effect will the changes you are proposing have on this?

--What type of claims are handled by Rapid Charge processing?

--Is this solely a function of a Local Office?

Mr. Thomas: Average processing time was 155 days for closure in FY 1983; by unit type the number of days was 130 for RCP; 203 for CIC, 168 for ADEA and 217 for Equal Pay. We do not have data for FY 1984 at this time; however, present indications are that the average time will be somewhat higher because of changes instituted in administrative processing.

Average time in FY 1985 will likely be in the range of 180 to 195 days per charge closure.

The new emphasis on thorough investigations will have an impact; this is the reason we are projecting the increase to about 180-195 days per charge closure.

Charges processed in the Rapid Charge Processing units will include the following:

- Charges which clearly appear to be individual harm disparate treatment charges;
- Charges where the investigation to be be made is clearly limited in scope, evidentiary requirements are straight-forward, and the case involves a small group of potentially aggrieved persons or a single individual; and
- Charges on which the law is settled or which will require minimal assistance of an attorney during the investigation in order to yield prompt litigation (e.g., mandatory retirement age statutes in some situations or retaliations).

All three types of EEOC Field Offices (District, Area, Local) perform the intake and fact-finding functions which constitute the Rapid Charge Process. Offices designated as "Local Offices" are functionally limited to performing Rapid Charge Processing and do not conduct any extended investigation of charges.

Senator Rudman: How many hearings do you expect to have in FY 1985?
--What is the average cost of a hearing?
--What offices are involved in a hearing and what are their functions?
--What efforts do you make to monitor compliance with hearing decisions?

Mr. Thomas: We expect to receive approximately 5,500 requests for hearings. We do not, however, expect to hold that many hearings. Many requests for hearings are closed by other means. For example, during FY 1983, hearing requests were closed as follows:

- 36.9 percent by decision on the merits (with hearing)
- 33.8 percent by negotiated settlement (without hearing)
- 10.6 percent by withdrawal (without hearing)
- 16.0 by remand for further action (without hearing)
- 2.7 percent by class action certification (without hearing)

We expect that, in FY 1985, our closure percentages by category will approximate the FY 1983 percentages. Thus, we expect to hold approximately 2,030 hearings.

The average cost of a hearing to EEOC is approximately $1,000 to $1,500 in salaries and expenses. Respondent Federal agencies, however, bear the greater cost burden. We estimate Agency costs as follows:

- $400 - $800 for hearing transcripts
- $3,000 - $4,000 for salaries and expenses of Agency personnel (complainant, complainant's representative, Agency representative, technical advisors, witnesses).

Consequently, total cost to the Government is approximately $4,400 to $6,300 per hearing.

All 22 District Offices and 3 Area Offices (Washington Area Office, San Antonio Area Office, and San Diego Area Office) are involved in hearings. Their functions are to mediate complaints, conduct hearings, and issue recommended decisions where mediation does not result in settlement or withdrawal.

Compliance is not required, since hearings result only in non-binding recommendations. We do, however, require agencies to report semi-annually on whether they accept, reject or modify recommended decisions.

Senator Rudman: An August 1982 report of GAO discussed several allegations of poor management and administration in EEOC's Office of Review and Appeals (ORA). Please comment on any changes that have been made to correct those problems and provide the following information:

--How much overtime was paid to ORA staff in 1983 and how many employees received overtime pay each pay period, on the average?

--What procedures exist to make certain that cases are processed in the order that they are received?

--Is there a backlog of unprocessed cases in ORA's control unit? If so, how many cases?

--Approximately, how much of their time do ORA's attorneys devote to clerical work? Do attorneys type their own cases?

--How many cases a week do the ORA attorneys write? Is there a standard still established?

--What was the average time needed to process and answer an appeal in 1983?

--How many clerical personnel are assigned to ORA's control unit?

Mr. Thomas: There have been significant developments and improvements in the management and administration of the Office of Review and Appeals since the GAO report. First a new director was appointed to head the office in February 1983. Second, the office was reorganized and new procedures established to ensure:

- Better control and tracking of cases;
- More comprehensively written decisions with detailed findings of fact, and analysis and reasons for EEOC's conclusions;
- More thorough review of decisions before issuance; and
- More systematic monitoring of agencies' compliance with Commission decisions and orders.

The new structure established a centralized point, the Compliance and Control Division, for tracking, monitoring, and managing cases to ensure timely processing, control files, eliminate and prevent duplicate files and processing. A Compliance Unit was established to monitor and ensure agencies' compliance with EEOC decisions and orders. The division also has a Quality Assurance Unit to ensure consistency and adherence to policy in decisions and to generally work to improve the quality of decisions issued by ORA, by reviewing certain decisions on a selective basis, researching complex and difficult issues, and by conducting training for the legal staff.

Other agencies have commented favorably on the recent improvement in the quality of decisions issued by EEOC.

The new structure frees the supervisory staff of the two case processing divisions to concentrate on the timely processing of cases and makes more efficient the entire case processing system. Further, by establishing smaller units of attorneys headed by supervisory attorneys, cases go through at least 2 levels of review before they are forwarded to the

Director for signature or to the Commission for consideration. The caseload has also been divided among the two case processing divisions in a more specialized way.

$906.14 was the total of overtime pay for ORA employees in FY 1983. Because of budget restraints, overtime was authorized only during the two pay periods indicated below:

- Pay Period Ending 06-25-83	3 Employees
- Pay Period Ending 07-09-83	9 Employees

Cases are assigned in ORA docket number order. As the document numbers are assigned in numerical sequence to cases as they are received, this ensures that cases are processed in the order that they are received. There are two exceptions to this method of case assignment: (1) requests to re-open and reconsider previous ORA/EEOC decisions are given priority processing; (2) because of statutory time frames, requests to review Merit System Protection Board decisions in mixed cases (cases with EEO issues) are assigned as soon as the file is received from MSPB.

In FY 1983, the Agency received 3,458 new cases and issued decisions in 3,157, for a total of 301 more cases received than processed. The pending caseload at the beginning of FY 1984 was 2,350 cases. Based on the FY 1983 closure rate and staffing levels, this represented a 9-month workload. Based upon receipts to date, it appears that the total number of cases received during FY 1984 will approximate or be slightly higher than the number received in FY 1983, with a 5 percent increase in the number of appeals from final Agency decisions being somewhat offset by a reduction in the number of requests to re-open and reconsider.

No ORA attorneys are required to perform clerical duties, nor to type their own cases.

Under current ORA office procedures, all final decisions must be produced on newly acquired word processing equipment by clerical employees. Under their performance standards, clerical employees typing decisions must use the spelling verification feature of the word processors and must otherwise proofread the decision before returning it to the attorney for approval.

There are four attorneys who, for reasons of personal preference and convenience, type drafts of their decisions on a typewriter or word processor rather than writing them in long hand. However, all final decisions are produced by clerical employees utilizing the word processing equipment.

In FY 1983, ORA attorneys wrote an average of approximately 158 decisions for the year per attorney.

Performance standards established for ORA attorneys for FY 1984 call for submission and approval at the first level of supervision an average of 2.5 or more completed cases per week to meet the productivity standard and an average of 3.25 cases per week to exceed the standard.

Based upon experience with new guidelines for decision development, and the requirements for more detailed, substantive decisions, these standards may be modified before the end of the fiscal year.

In FY 1983, the office completed all pre-1982 cases (cases received prior to FY 1982) and more than 90 percent of the 1982 cases. Therefore, the pending workload at the beginning of FY 1984 was almost all 1983 cases.

Once the Agency file is received and the case is assigned to an attorney, FY 1984 performance standards have been established calling for completion of all cases within 90 calendar days of assignment with 80 percent completed within 60 days of assignment.

Five.

Senator Rudman: Please explain the status of the Federal Equal Opportunity Recruitment Program. Are there any unresolved issues between EEOC and the Office of Personnel Management with regard to the Program?

Mr. Thomas: EEOC Management Directive 707 requires agencies to submit to EEOC a FEORP Plan along with their five year Affirmative Action Plans. EEOC forwards these plans to the Office of Personnel Management which has lead responsibility for the Federal FEORP effort.

Personnel from EEOC and the Office of Personnel Management met in 1983 and reached accord on the forwarding of FEORP Plans to OPM. I do not believe there are any unresolved issues with regard to EEOC's role in the process.

Senator Rudman: It is the understanding of the Members of the Committee that the Administration is beginning a multi-year reduction in the number of GS-11 through 15 positions throughout the Government. Why is this policy not reflected in the EEOC budget?

Mr. Thomas: The multi-year reduction for General Schedule grades 11 through 15 positions is reflected on Page 2 of the Congressional Budget. The decrease amounts to $382,000 for FY 1985.

Senator Rudman: How much did your agency spend for outside consultants in Fiscal Year 1983? What do you estimate you will spend in FY 1984 and FY 1985?

Mr. Thomas: The agency spent approximately $300,000 for consultants in FY 1983. It is estimated that the agency will spend between $250,000 and $300,000 for FY 1984 and FY 1985.

COMMISSION ON CIVIL RIGHTS

STATEMENT OF CLARENCE M. PENDLETON, CHAIRMAN

ACCOMPANIED BY:

BERT SILVER, ASSISTANT STAFF DIRECTOR FOR ADMINISTRATION
REGINALD HALEY, BUDGET OFFICER

BUDGET REQUEST

Senator RUDMAN. Our next request is that of the Commission on Civil Rights. The amount requested is $12,747,000, an increase of $860,000 over the 1984 enacted level.

Appearing on behalf of this request is Clarence M. Pendleton, the Chairman.

OPENING STATEMENT OF CHAIRMAN PENDLETON

Mr. Pendleton, please introduce your colleagues and then you may proceed with your statement.

Mr. PENDLETON. I would like to introduce Bert Silver, Assistant Staff Director for Administration, and our Budget Officer, Mr. Reginald Haley. Ms. Linda Chavez, our Staff Director, had a pressing matter and could not be with us today. She asked that I extend her apologies.

Senator RUDMAN. If there are any questions for some reason you cannot answer, we will keep the record open and let her answer such questions as you think necessary.

Your entire statement will be inserted into the record, to the extent you would like to summarize.

Mr. PENDLETON. Our request is for $12,747,000 and 236 full-time equivalent positions for fiscal year 1985. This represents an increase of $737,000 over the appropriation expected for fiscal year 1984, $505,000 of which covers mandatory increases.

We ask that you put the full statement in the record, and allow us to submit for the record the proposed program changes that have been developed by the reconstituted Commission. There is no alteration in the agency's budget request. We anticipate expending the full amount of our budget request on programs that fulfill the mandated activities as indicated in the law.

We are prepared to answer any questions you might have at this point, Mr. Chairman. Thank you for the opportunity to appear here.

[The prepared statement of Clarence Pendleton follows:]

PREPARED STATEMENT OF CLARENCE M. PENDLETON

CHAIRMAN

U.S. COMMISSION ON CIVIL RIGHTS

Mr. Chairman and members of the Committee, I am Clarence M. Pendleton, Jr., Chairman of the U.S. Commission on Civil Rights. Accompanying me are Linda Chavez, Staff Director; Bert Silver, Assistant Staff Director for Administration and Reginald Haley, Budget Officer.

I am pleased to appear before you today to testify in support of the President's request for $12,747,000 and 236 fulltime equivalent positions for Fiscal Year 1985. Including the amount requested in the pay cost supplemental, we anticipate that the appropriation for Fiscal Year 1984 will be $12,010,000. The 1985 request therefore represents an increase of $737,000 over the appropriation expected for Fiscal Year 1984, $505,000 of which covers mandatory increases.

As you know, this Commission was reestablished for a six year term by the U.S. Commission on Civil Rights Act of 1983 (P.L. 98-183). The responsibilities of the Commission remain the same as those of the former Commission established by P.L. 85-315, as amended. Of the eight Commissioners, four appointed by the President, two by the Speaker of the House and two by the President Pro Tempore of the Senate, five had not served on the Commission before.

As we explained in the Staff Director's February 2, memorandum transmitting the appropriation request to this Subcommittee, the justification you have before you contains the program of the previous Commissioners. Since the reconstituted Commission did not meet for the first time until mid-January, it would not have been possible to incorporate program changes in the justification and still meet the required timeframes. Let me therefore highlight the changes that we expect to make in the Fiscal Year 1984 and proposed Fiscal Year 1985 programs and submit the changes in greater detail for the record. We do not expect any of the program changes to impact on the activity structure previously given you. All program changes will occur within activities.

Activity 1

In Fiscal Year 1984 we will not undertake three studies on Student Financial Aid, Commonalities and Differences Among Minorities, and Minority Students in Public Higher Education. The study on Affirmative Action in Higher Education will now deal with the recruitment and retention of minority and women students as well as the employment of minorities and women on the faculty. The study of Voluntary Methods in Achieving Effective School Desegregation will be expanded to cover involuntary as well as voluntary methods. The Social Indicators Update will be subsumed in a study on New Perspectives in Discrimination. The report will be broadened to enable us to determine the extent to which discrimination is responsible for disparities among groups on various indicies of social well being.

The studies discussed in the previous paragraph will begin in Fiscal Year 1984 and all carry over at least into Fiscal Year 1985. To make room for this carry over, three studies proposed for Fiscal Year 1985 will be started later in the year, or if the Commissioners so desire, may be dropped. Those are Remedies for Employment Disparities, Discrimination in Occupational Licensing and Equal Educational Opportunity.

Activity 2

The Commission will not hold any hearings in Fiscal Year 1984. Instead, two new projects will be undertaken requiring consultations. One will be a study of the concept of comparable worth. The second will begin with monitoring and will be a report on discipline in the public schools as it may relate to minority students.

Activity 5

In Fiscal Year 1984 we will begin another in our series of Federal Civil Rights Enforcement Effort reports. This study will include an examination of the enforcement effort budget and will also look at changes in enforcement effort strategies from 1981 to 1984. The study will carry over into Fiscal Year 1985.

The programs listed in our justification for activities 3, 6, and 7 will not change.

The overall program we propose is similar in content to those offered in previous appropriation requests. The Commission's long standing interest in eliminating barriers to equal opportunity in employment, education, housing, voting and the administration of justice continues. State Advisory Committee activities also will continue in the 50 States and the District of Columbia.

I believe that the work of the Commission remains important to the well being of the nation. I know that my colleagues on the Commission join me in that belief.

Mr. Chairman, that concludes my opening statement. At this time I will be pleased to answer questions concerning any aspects of the changes we have proposed, other parts of the appropriation request or the work of the Commission generally.

COMMISSION ON CIVIL RIGHTS
REVISIONS IN NARRATIVE JUSTIFICATION
REQUEST FOR APPROPRIATION

ACCOMPLISHMENTS TO DATE AND PLANS FOR THE REMAINDER OF FISCAL YEAR 1984

ACTIVITY 1 - REPORTS, STUDIES AND PROGRAM MONITORING

1. The State of Civil Rights 1957-1983. This report, which was the final report of the U.S. Commission on Civil Rights established by the Civil Rights Act of 1957, as amended (P.L. 85-315), summarized the Commission's accomplishments and assessed civil rights progress during the 26-year existence of the agency under that statute. Major civil rights laws and their effectiveness in combating discrimination in voting, education, housing, the

administration of justice, and employment are highlighted with an emphasis on the role of Federal enforcement.

2. Fifteen Years Ago.....Today: Rural Alabama. This report was undertaken by the previous Commissioners. It will be released with a notation that it was the work of the prior Commission.

Work on the following projects will continue:

1. Voting Rights Pamphlet
2. State and Local Civil Rights Enforcement
3. New Perspectives on Discrimination. This study will consider the present status of minorities against a background of declining discrimination in the United States and will include an updating of the Commission's 1978 Social Indicators report. The study will take into account some of the more disadantaged groups, examining the proposition that differences between groups can exist when neither racism nor discrimiantion are the sole or predominant causes.
4. Employment of Americans of Eastern and Southern European Ancestry. A study of employment of Americans of Eastern and Southern European ancestry was mandated by Congress in the Commission's FY 1980 authorization legislation. As enacted by Congress, this study should include an analysis of the adverse consequences of affirmative action programs encouraged by the Federal Government upon the equal opportunity rights of the group. A study pursuant to this mandate was prepared under contract but was not considered satisfactory. The Commissioners have directed that a high priority be placed on completion of the study.

The following new projects will be undertaken in FY 1984 and will continue into subsequent fiscal years.

1. Isolation of Hispanic Students. This study will examine legal, sociological, and other documents that discuss the causes of increased segregation of Hispanic students including studies of the effect of Federal and State bilingual education programs on the segregation of Hispanic students. The project will also include data analysis based on 1968 and 1982 Elementary and Secondary School Surveys completed by the Office of Civil Rights of the Department of Education, a literature review, and a field investigation of selected school districts. An attempt will be made in the field investigations to analyze classroom segregation within schools as well as overall school segregation.
2. Voluntary and Involuntary Methods of Achieving School Desegregation. A literature review and project design will be prepared for an empirical study of both voluntary and involuntary desegregation of elementary and secondary schools. Desegregation techniques to be examined include busing, magnet schools, open enrollment and special attendance schools. Attention will be directed to the quality of education received in each setting.
3. Redistricting and Minorities. This study will compare the requirements of State and Federal redistricting statutes with the actual process of redistrictig in a sample of States in order to determine the extent to which noncompliance may be

adversely affecting the opportunities of minorities to achieve fair representation.

4. Affirmative Action in Higher Education. A design will be prepared for a study, including a consultation, of affirmative action in higher education. We will look at the recruitment and retention of minority and women students as well as the employment of minority and women on the faculty.

ACTIVITY 2 - HEARINGS, LEGAL ANALYSIS AND LEGAL SERVICES

In Fiscal Year 1984 the papers presented at the Housing Consultation will be published. In addition the following projects will be undertaken.

1. Comparable Worth Consultation and Study. The Commission will hold a consultation to explore the issue of equal pay for work of "comparable value," including its use as a remedy for sex discrimination in the workplace.

2. Discipline in the Public Schools Consultation and Study. This study, including a consultation, will consider disciplinary action in the public schools as it may relate to discrimiation against minority students.

Monitoring in Fiscal Year 1984 will continue at approximately the same level as in the previous year. Issues to be monitored will include civil rights litigation and legislation, followup to previous hearings and studies and affirmative action. It is anticipated that two publications will be produced based on these efforts. Necessary legal services and legal analysis activities will continue in FY 1984.

ACTIVITIES 3 AND 4 - No change.

ACTIVITY 5 - FEDERAL EVALUATION

Federal Civil Rights Enforcement Study. A study of the Federal civil rights enforcement budget, including a review and evaluation of the changes in Federal enforcement agencies' policies and strategies from 1981-1984 will be undertaken.

ACTIVITIES 6 AND 7 - No change.

PROPOSALS FOR FISCAL YEAR 1985

ACTIVITY 1 - REPORTS, STUDIES AND PROGRAM MONITORING

The following projects started in prior fiscal years will be continued in FY 1985:

1. State and Local Civil Rights Enforcement
2. Isolation of Hispanic Students
3. Redistricting and Minorities
4. Voluntary and Involuntary Desegregation Methods in Achieving Effective School Desegregation
5. New Perspectives on Discrimination
6. Affirmative Action in Higher Education

The start of the proposed new studies on Remedies for Employment Disparities, Discrimination in Occupational Licensing and Equal Educational Opportunity will be postponed to allow the above carry over projects to be continued.

Monitoring. Monitoring and followup activities will continue at approximately the same level as in Fiscal Year 1984. The issues monitored will be substantially the same and two publications should result from this effort.

ACTIVITY 2 - HEARINGS, LEGAL ANALYSIS AND LEGAL SERVICES

In Fiscal Year 1985, work will continue on the Comparable Worth and Discipline in the Public School Studies. The consultation proceedings will be published.

The Delivery of State Services Study and Hearing, monitoring and the provision of legal services will continue as described in the appropriation justification narrative.

ACTIVITIES 3 AND 4 - No change.

ACTIVITY 5 - FEDERAL EVALUATION

In addition to the usual monitoring activity and the processing of complaints, the Federal Civil Rights Enforcement Effort Study will be completed.

ACTIVITIES 6 AND 7 - No change.

AGENCY ACCOMPLISHMENTS AND MORALE

Senator RUDMAN. Let me ask you, we all know the ordeal your agency went through last year before it was finally reauthorized by Public Law 98-183. In the months of uncertainty, you lost many good people and there were reports in the press to the effect that employee morale was very low and that little was accomplished.

Can you tell us now, candidly, what has been accomplished at the Commission over the past year and how you are going about improving employee morale and productivity?

Mr. PENDLETON. I am not so sure that we have become less productive. However, our employment rolls have been reduced due to retirement and employee transfers for reasons that were critical to those employees.

We regret that we had to go through that scenario.

Senator RUDMAN. So do we.

Mr. PENDLETON. Now that that is behind us we can get on with the country's civil rights issues. We have a good staff of people that are anxious to take our civil rights through the eighties. There is no doubt in my mind that unplanned activities will come up that we have to accomplish under the existing budget. However, we will do the best we can to keep those at a minimum and to stay on target with the planned activities.

We believe if we stray too far from the planned activities, we cannot accomplish our mandate. We have eight commissioners and an excellent staff director and we are ready to go forward.

VALIDITY OF AGENCY BUDGET REQUEST

Senator RUDMAN. According to your testimony, the new Commission is just getting started. You have abandoned several studies, altered others, and initiated new inquiries in other areas. How valid is the budget request presently before us?

Mr. PENDLETON. It is very valid. We have studied our mandate carefully and will apply our programs and activities to that mandate. We have decided that the civil rights agenda is our agenda and those things which are socioeconomic policy we leave to others.

Senator RUDMAN. Your justification states that activity 4—publications, preparation and dissemination—will also be run at a reduced level. Can you tell us why you are requesting an increase for this activity?

Mr. SILVER. This activity has been increased slightly by about $16,000 as we anticipate distribution of additional copies of publications and perhaps some new publications. However we will maintain this program at a level that is relatively close to last year's.

FORMER PERSONNEL BENEFITS

Senator RUDMAN. Why are benefits for former personnel going up by a factor of four? What is the average benefit received by each former employee and how is it determined?

Mr. SILVER. The Commission will spend $71,000 this year for severance pay. At the end of the year when the Commission almost expired, a number of people retired or resigned. There were 13 employees who resigned, 10 of whom were entitled to severance pay. The amount of severance is established by law and is based on length of service and age.

COMMISSIONER COMPENSATION

Senator RUDMAN. The Commission members are not employed full time. What procedures are used to determine each Commissioner's compensation? What activities are reimbursed? And how are honorariums treated?

Mr. PENDLETON. There are several answers to the question. The law does not state any specific amount of time. However, we have developed an operating budget plan which identifies and limits what we would spend during fiscal year 1984

Senator RUDMAN. What is that?

Mr. PENDLETON. Compensation is $266.79 per day. Travel is based on subsistence rates and not to exceed $75 per day. We have decreased our space cost. None of the Commissioners have offices at the Commission. We have allowed ourselves the shared space of one office, and about $16,000 for secretarial and research help. We have been able to use Commission research staff to help with some of our work.

Senator RUDMAN. Are there any rules on honorariums?

Mr. PENDLETON. You can receive honorariums if you don't file for compensation.

Senator RUDMAN. You can't have both?

Mr. PENDLETON. No. What I have done in the past, from all of the turmoil in my almost two years in the Commission, I decided if I was going to speak someplace not to take an honorarium. We have that worked out in such a way that people understand what you can and cannot do. You cannot accept honorariums and compensation.

HEARING TRANSCRIPT COST

Senator RUDMAN. You have a $30,000 increase requested for additional transcript of a hearing. What hearing are you referring to, and how do you determine what issues require a hearing?

Mr. SILVER. Last year we only held one hearing. This year we have two consultations scheduled, one on comparable worth and one on school discipline. Next year we have two hearings scheduled on the delivery of state services.

Mr. PENDLETON. Additionally, the Commission has decided which issues require a hearing and which issues do not. A hearing is a very expensive undertaking because it requires some work by the staff prior to the hearing and background work. This year we will have consultations. We decided not to have any hearings this year, but will probably have hearings next fiscal year.

Senator RUDMAN. Senator Specter will have a few questions he will want to ask. If he is on his way to the hearing room I will hold the hearing open, if he is not, I will simply close the hearing and he will send his questions over for the record. We will stand in brief recess until we find out whether he is on his way.

[Whereupon, a short recess was taken.]

SUBMITTED QUESTIONS

Senator RUDMAN. Mr. Specter will not be able to join us. That being the case, we will conclude this hearing. We will keep the record open. I am sure there will be questions at least from Senator Specter and possibly others.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR SPECTER

On page 41 of your budget justification you state that the Library will function in fiscal year 1985 at a level below that of fiscal year 1984. However, a $9,000 program increase is requested. Please explain.

While fewer books will be purchased and the preparation of bibliographies will be held to the 1984 level, $9,000 more will be spent overall because of the additional costs of computerized information searches.

On page 16 of your budget justification the workload factors in Reports, Studies and Program Monitoring for 1985 are lower than for 1984, yet a $42,000 increase is requested for this area. Why?

The costs associated with this activity depend not only on the number of studies underway and completed but also on the scope, difficulty, extent of data gathering, etc., of the particular studies. A $42,000 increase was requested because three additional studies will begin and the start-up costs associated with these studies will require the increase.

Do you work with other enforcement agencies in obtaining information?

The Commission, of course, is not an enforcement agency. We do work with other civil rights agencies in obtaining information and make every effort not to duplicate studies or information gathering that has already taken place in other agencies. The Commission also has an oversight role in monitoring other agencies' civil rights activities and in reporting to the President and the Congress on how well those activities are being carried out.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

Federal Civil Rights Enforcement

You indicate in your statement that another Federal Civil Rights Enforcement Effort report will begin in fiscal year 1984.

When will this project get underway and when in fiscal year 1985 is it expected to be published?

The project proposal is currently being drafted for consideration by the Commissioners at their May meeting. We anticipate that the project will begin in June of 1984, and that report will be issued in September 1985.

On November 6, 1984 the American people will be asked to pass judgement on the Reagan Administration. There is already a high volume of campaign rhetoric about the enforcement of civil rights. Should not this report be available to the American people before they make that judgement on Election Day?

Federal Civil Rights Enforcement Effort Reports are extremely comprehensive and require careful efforts. Information has to be gathered from all of the enforcement agencies. That information must be analyzed and conclusions drawn. Agencies are provided the right to respond and their responses often are published as part of the report. The Commissioners review the report and agree on recommendations.

The Commission issued seven Federal Civil Rights Enforcement Reports up to 1977. Two additional such reports were issued in response to a request from the Office of Management and Budget for assistance to President Carter's Reorganization Project. Most took one to two years to be produced. There would not be sufficient time to conduct a thorough study and issue a report before the November election.

Compensation of Commission Members

How often did the Commission meet in calendar year 1983?

In calendar year 1983 the Commission met ten times.

What is the authority for the compensation of members of the Commission and what rate of compensation is proscribed?

The authority for compensation of Commission members is found in Section 4(a) of P.L. 98-183. Commissioners' compensation is set at Level IV of the Federal Executive Salary Schedule which presently amounts to $266.79 per day.

How much of the compensation earned by each Commissioner in calendar year 1983 was for days actually attending Board meetings?

See chart below.

What are the procedures for compensating Commissioners for days worked but not attending Board meetings?

Commissioners submit vouchers each pay period. Entries indicate the hours worked and on which activities they worked. The vouchers are reviewed and approved in the Office of the Staff Director. After approval, the information is transferred to standard Government timecards which are processed by GSA.

In January 1984, the voucher used to claim reimbursement was revised to account in more detail for the activities on which Commissioners work.

Please provide a list of the compensation paid each Commissioner in 1983 showing the days spent and compensation for other than Board meetings, with an indication of the activities involved.

See chart below.

COMMISSIONERS' COMPENSATION CALENDAR YEAR 1983

Commissioners	Days Worked Commission Meetings	Compensation Commission Meetings
Pendleton	12	$3,101.76
Berry	10	2,584.80
Smith	9	2,326.32
Ramirez	14	3,618.72
Ruckelshaus	10	2,584.80
Saltzman	1/	2,584.80

Other Days Worked

Commissioners	Reading/ Commenting/ Meeting	Cong. Testimony	Commission Hearings/ Consultations/SAC Conference	Press Conferences	Travel
Pendleton	85	2	9	13	44
Berry	68	1	3	5	-
Smith	17	1	3	1	4
Ramirez	30	-	3	-	-
Ruckelshaus	28	-	4	-	2
Saltzman	-	-	-	-	-

Other Days Worked (Continued)

Commissioners	Speech Preparation/ Correspondence	Speeches	Undifferentiated	Compensation for Other Days Worked
Pendleton	36	38	-	$58,674.96
Berry	-	-	-	19,902.96
Smith	-	-	-	6,203.52
Ramirez	-	-	-	8,529.84
Ruckelshaus	-	-	-	8,788.32
Saltzman	-	-	40 1/	7,754.40

Commissioners	Total Days Worked	Total Compensation
Pendleton	239	$61,776.72
Berry	87	22,487.76
Smith	35	9,046.80
Ramirez	47	12,148.56
Ruckelshaus	44	11,373.12
Saltzman	40	10,339.20

1/ Commissioner Saltzman was using an old voucher form which did not differentiate among activities. For purposes of this tabulation we have estimated that 10 of the 40 days worked covered attendance at Commission meetings.

Consultants

How much did your agency spend for outside consultants in fiscal year 1983? What do you estimate you will spend in fiscal year 1984 and fiscal year 1985?

During fiscal year 1983 the U.S. Commission on Civil Rights expended $29,313 for consultant services. The Commission plans to spend approximately $64,000 during fiscal year 1984 and $24,000 during fiscal year 1985 for consultant services.

SUBCOMMITTEE RECESS

The subcommittee stands in recess.

[Whereupon, at 4 p.m., Wednesday, March 7, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

MONDAY, MARCH 12, 1984

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, DC.

The subcommittee met at 9:32 a.m. in room S–146, the Capitol, Hon. Warren Rudman presiding.

Present: Senator Rudman.

DEPARTMENT OF COMMERCE

STATEMENT OF MALCOLM BALDRIGE, SECRETARY OF COMMERCE

ACCOMPANIED BY:

- **NANCY A. RICHARDS, DIRECTOR, OFFICE OF BUDGET**
- **PAUL A. VANDER MYDE, ASSISTANT SECRETARY FOR CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS**
- **WALTER LENAHAN, DEPUTY ASSISTANT SECRETARY FOR TEXTILES AND APPAREL**
- **ANTHONY J. CALIO, DEPUTY ADMINISTRATOR, NOAA**
- **KAY BULOW, ASSISTANT SECRETARY FOR ADMINISTRATION**

BUDGET REQUEST

Senator Rudman. Good morning. This morning the subcommittee will hear testimony from the Secretary of Commerce, Malcolm Baldrige regarding the budget request of the Department of Commerce. The Department's request is for $1.6 billion in fiscal year 1985.

Mr. Secretary, you can introduce your colleagues at the table if you like. We are delighted to have you here.

INTRODUCTION OF ASSOCIATES

Secretary Baldrige. Thank you. Nancy Richards is on my left. She keeps me on the straight and narrow, Mr. Chairman, keeps me from getting into factual difficulties. I think Tony Calio is here, the Assistant Administrator of NOAA, and Walter Lenahan who is in charge of our textiles area.

PREPARED STATEMENT

Senator RUDMAN. I would leave it to your own discretion as to how you want to proceed. Your entire statement submitted to the subcommittee will be inserted in the record as if it were spoken, and you are free to summarize.

[The statement follows:]

PREPARED STATEMENT OF MALCOLM BALDRIDGE
SECRETARY OF COMMERCE

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I AM HERE TODAY TO DISCUSS THE PROGRAMS OF THE DEPARTMENT OF COMMERCE AND OUR FY 1985 BUDGET REQUEST.

WHEN I SPOKE WITH YOU LAST YEAR, WE HAD JUST SEEN THE FIRST SIGNS THAT ECONOMIC RECOVERY WAS STARTING. I REPORTED THEN THAT HOUSING STARTS WERE AT THE HIGHEST LEVEL SINCE SEPTEMBER 1979 AND THAT INDUSTRIAL PRODUCTION HAD RISEN NEARLY ONE PERCENT IN JANUARY.

TODAY, I CAN REPORT ECONOMIC RECOVERY AS AN ACCOMPLISHED FACT -- THAT THE ECONOMY HAS REBOUNDED STRONGLY, EVEN MORE VIGOROUSLY THAN WE WERE PREDICTING A YEAR AGO. CONSUMER PRICES ROSE ONLY 3.8 PERCENT DURING 1983, THE LOWEST RATE SINCE 1972. FOUR MILLION JOBS WERE ADDED TO THE ECONOMY DURING THE SAME PERIOD. THE UNEMPLOYMENT RATE FELL FROM ITS HIGH OF 10.7 PERCENT IN DECEMBER 1982 TO 8.1 PERCENT A YEAR LATER. THE GNP GREW BY 6.2 PERCENT IN REAL TERMS DURING 1983 AND INDUSTRIAL PRODUCTION BY 16 PERCENT.

THE MOST RECENT ECONOMIC NEWS HAS CONFIRMED THE STRENGTH AND DURABILITY OF THE RECOVERY. IN JANUARY, HOUSING STARTS REACHED A FIVE-YEAR HIGH. PERSONAL INCOME ROSE BY OVER ONE PERCENT IN THE SAME MONTH, AND FACTORIES, MINES AND UTILITIES WERE OPERATING AT NEARLY 80 PERCENT OF CAPACITY, THE HIGHEST LEVEL SINCE SEPTEMBER 1981.

BY CURBING UNNECESSARY GOVERNMENT REGULATION AND EXCESSIVE GOVERNMENT SPENDING, REFORMING THE TAX SYSTEM AND ESTABLISHING SOUND MONETARY POLICY, THE COUNTRY IS ON ITS WAY TO SUSTAINED

PROSPERITY WITHOUT HIGH LEVELS OF INFLATION. WE HAVE DONE MUCH OF THIS WITH THE COOPERATION OF THE CONGRESS.

BUT WE CAN'T PAUSE TO REST ON OUR LAURELS. PROLONGED HIGH DEFICITS WOULD THREATEN LONG-TERM PROSPERITY WITH HIGH INTEREST RATES, CHOKED-OFF INVESTMENT AND POSSIBLY ANOTHER RECESSION. CONGRESS NEEDS TO JOIN THE PRESIDENT IN FURTHER STREAMLINING GOVERNMENT PROGRAMS AND LAYING THE GROUNDWORK FOR THE NECESSARY CHANGES IN TAX LAWS AND ENTITLEMENT PROGRAMS.

THE DEPARTMENT OF COMMERCE BUDGET FOR FY 1985 WAS PREPARED WITHIN THIS ECONOMIC CONTEXT. THE $1.6 BILLION THAT WE ARE REQUESTING INCLUDES MODEST PROGRAM INCREASES OF $80 MILLION FOR AREAS THAT HAVE DEMONSTRATED BOTH A NEED FOR FEDERAL ACTION AND A COST EFFECTIVE APPROACH. THE REQUEST ALSO INCLUDES $490 MILLION IN CUTS FROM PROGRAMS THAT GOVERNMENT NEEDS TO GET OUT OF. OVERALL, THE REQUEST IS 18 PERCENT BELOW THE FY 1984 APPROPRIATION AND 52 PERCENT BELOW WHAT THE CARTER ADMINISTRATION WOULD HAVE BEEN SPENDING IN TODAY'S DOLLARS.

THE FY 1985 BUDGET SHOULD BE VERY FAMILIAR TO YOU. THE SPENDING REDUCTIONS ARE ESSENTIALLY THE SAME ONES WE HAVE PUT BEFORE YOU SINCE 1981. SURELY -- GIVEN THE SIZE OF THE OVERALL DEFICIT AND THE DIFFICULTIES OF REFORMING ENTITLEMENT PROGRAMS -- THESE COMMERCE PROPOSALS CAN BECOME PART OF THE DOWN PAYMENT ON DEFICIT REDUCTIONS.

I HAVE SPOKEN WITH YOU MANY TIMES ABOUT THE FAILURES OF THE ECONOMIC DEVELOPMENT ADMINISTRATION PROGRAM. RECENT EVENTS DEMONSTRATE THAT A BROAD-BASED RECOVERY DOES FAR MORE THAN GOVERNMENT SUBSIDIES TO CREATE JOBS. AS I NOTED BEFORE, FOUR MILLION JOBS WERE ADDED TO THE ECONOMY IN 1983. BUSINESS INVESTMENT INCREASED BY 13 PERCENT. WE NEED TO CONCENTRATE ON SUSTAINING THAT KIND OF PRIVATE SECTOR GROWTH INSTEAD OF WASTING

FEDERAL FUNDS ON PROJECTS THAT DON'T CREATE JOBS. THE ADMINISTRATION HAS MAINTAINED ITS COMMITMENT TO ASSIST MINORITY BUSINESSES IN SOLVING THEIR PROBLEMS. THIS BUDGET CONTINUES TO SUPPORT 100 BUSINESS DEVELOPMENT CENTERS LOCATED THROUGHOUT THE COUNTRY.

I URGE YOU TO REEXAMINE THE ARGUMENTS FOR CUTTING OUT ECONOMIC DEVELOPMENT ASSISTANCE AS WELL AS FOR CUTTING OUT OR CURTAILING OTHER COMMERCE PROGRAMS LIKE TRADE ADJUSTMENT ASSISTANCE AND TELECOMMUNICATIONS GRANTS IN THE LIGHT OF ECONOMIC REALITY.

LET ME TURN NOW TO THE AREAS IN WHICH THE DEPARTMENT MUST REMAIN ACTIVE. THESE ARE COVERED BY FOUR GOALS THAT ARE THE FOUNDATION OF OUR STRATEGIC PLANNING SYSTEM:

o INCREASE COMPETITIVENESS IN THE WORLD ECONOMY.

o STIMULATE PRODUCTIVITY, ECONOMIC RECOVERY, AND GROWTH.

o MANAGE EFFECTIVELY THE OCEANIC AND ATMOSPHERIC RESOURCES OF THE U.S.

o IMPROVE SERVICE DELIVERY AND INTERNAL MANAGEMENT.

INCREASING COMPETITIVENESS

I CANNOT OVEREMPHASIZE THE IMPORTANCE OF OUR COMPETITIVE POSITION IN INTERNATIONAL TRADE IN SUSTAINING ECONOMIC RECOVERY AND GROWTH. TOTAL TRADE IN GOODS AND SERVICES NOW STANDS AT 21 PERCENT OF GNP. EVERY $1 BILLION WORTH OF THAT TRADE PRODUCES 25,000 JOBS. IN 1982, EXPORTS ACCOUNTED FOR FIVE MILLION JOBS WITHIN THE UNITED STATES. ONE OF EVERY EIGHT MANUFACTURING JOBS COMES FROM EXPORTS.

GOVERNMENT CAN AND MUST PLAY A ROLE IN IMPROVING THE CLIMATE FOR U.S. EXPORTS IN THE NEW GLOBAL MARKET. THE DEPARTMENT OF INTERNATIONAL TRADE AND INDUSTRY (DITI) PROPOSED BY THE ADMINISTRATION WOULD ALLOW THE COUNTRY FULLY TO DEVELOP ITS TRADE POTENTIAL AND DEFEND OUR TRADING RIGHTS. THE NEW DEPARTMENT IS NEEDED MORE NOW THAN IT WAS WHEN THE PRESIDENT FIRST PROPOSED IT LAST JUNE. I AM CONFIDENT THAT CONGRESS WILL RECOGNIZE THE URGENCY OF THE PROPOSAL AND APPROVE ITS CREATION.

WHILE WE WAIT FOR PASSAGE OF THE DITI BILL, THE COMMERCE DEPARTMENT CONTINUES ITS EFFORTS TO IMPROVE TRADE. WE HAVE COMPLETED AN EDUCATIONAL CAMPAIGN TO EXPLAIN THE EXPORT TRADING COMPANY PROGRAM TO THE BUSINESS COMMUNITY. OUR 49 SEPARATE SEMINARS WERE ATTENDED BY 12,000 BUSINESSMEN. WE HAVE ACCEPTED 48 APPLICATIONS AND ISSUED 13 CERTIFICATES FOR NEW EXPORT TRADING COMPANIES.

YOU HAVE ALREADY APPROVED OUR PROPOSAL TO CONSOLIDATE INDUSTRY ANALYSIS FUNCTIONS IN THE INTERNATIONAL TRADE ADMINISTRATION. NOW MORE THAN EVER WE NEED TO UNDERSTAND HOW OUR INDUSTRIES PERFORM IN BOTH DOMESTIC AND INTERNATIONAL MARKETS. WE ARE PROPOSING TO TAKE THE REORGANIZATION ONE STEP FURTHER IN 1985 WITH AN INCREASE OF $3.3 MILLION TO EXPAND COVERAGE OF KEY SECTORS AND ACCELERATE THE COMPETITIVE ASSESSMENT PROGRAM BEGUN IN 1982.

PROMPT, EQUITABLE ENFORCEMENT OF EXPORT CONTROL LAWS IS AN IMPORTANT ASPECT OF OUR TRADE RESPONSIBILITIES. LAST YEAR THE APPROPRIATIONS COMMITTEES SUPPORTED BUDGET REQUESTS TO STRENGTHEN THESE AREAS. BUT WE NEED TO GO FURTHER. THIS YEAR WE ARE REQUESTING A TOTAL OF $34 MILLION, AN INCREASE OF $9.5 MILLION, FOR TRADE ADMINISTRATION. WE CURRENTLY HAVE EXPORT ENFORCEMENT OFFICES IN ONLY THREE CITIES -- NEW YORK, LOS ANGELES, AND SAN

FRANCISCO. BUT THERE IS A SUBSTANTIAL VOLUME OF HIGH TECHNOLOGY EXPORTS FROM OTHER PORTS.

THROUGH THE COMBINED EFFORTS OF THE COMMERCE, TREASURY, AND DEFENSE DEPARTMENTS REFLECTED IN THE PRESIDENT'S BUDGET BEFORE YOU, WE INTEND NOT ONLY TO ENFORCE OUR EXPORT CONTROL LAWS, BUT TO DO IT MORE EFFICIENTLY SO THAT LEGITIMATE EXPORTS DO NOT SUFFER. WE NEED TO HAVE PERMANENT ENFORCEMENT OFFICES IN SEVEN MORE LOCATIONS AROUND THE COUNTRY. WE ALSO MUST IMPROVE OUR INTELLIGENCE GATHERING CAPABILITIES FOR THESE LOCATIONS.

THE BUDGET ALSO PROPOSES TO STRENGTHEN THE EXPORT CONTROL PROCESS AT ITS MOST CRUCIAL POINT -- THE LICENSING SYSTEM. DISTRIBUTION LICENSES GOVERNING MULTIPLE SHIPMENTS TO FREE WORLD LOCATIONS MUST BE CLOSELY WATCHED TO PREVENT DIVERSION OF HIGH TECHNOLOGY GOODS. WE NEED A FULL-TIME STAFF DEVOTED TO DETERMINING FOREIGN AVAILABILITY OF SENSITIVE PRODUCTS IN ORDER TO AID INTERAGENCY LICENSING DECISIONS.

WE NEED TO STRENGTHEN EXPORT ENFORCEMENT FUNCTIONS FOR THE FOLLOWING ADDITIONAL REASONS:

- THE COMMERCE'S OFFICE OF EXPORT ENFORCEMENT (OEE) IS A SINGLE MISSION ENFORCEMENT AGENCY THAT CAN FOCUS ALL ITS EFFORTS ON STRATEGIC EXPORT CONTROL ENFORCEMENT.

- OEE WORKS CLOSELY WITH COMMERCE'S OFFICE OF EXPORT ADMINISTRATION, SHARING, ANALYZING AND USING INTELLIGENCE, LICENSING AND TECHNICAL INFORMATION IN IMPLEMENTING EXPORT CONTROLS. THEY NEED TO REMAIN TOGETHER TO BUILD THEIR EFFECTIVENESS.

- OEE HAS AT ITS DISPOSAL SEVERAL ADMINISTRATIVE ENFORCEMENT TOOLS. COMMERCE CAN DENY NOT ONLY SPECIFIC EXPORT LICENSES

BUT ALSO EXPORT PRIVILEGES TO COMPANIES OR INDIVIDUALS DETERMINED TO VIOLATE THE EXPORT ADMINISTRATION ACT.

I THINK YOU WOULD AGREE WITH ME THAT EXPORT ADMINISTRATION AND ENFORCEMENT MUST CONTINUE TO BE STRENGTHENED. I URGE THE COMMITTEE TO LET US BEGIN NOW WITH FUNDS ALREADY AVAILABLE AND TO SUPPORT THE 1985 BUDGET INCREASE SO THAT THESE CRUCIAL LINKS IN THE EXPORT SYSTEM CAN BE STRENGTHENED.

STIMULATE PRODUCTIVITY, ECONOMIC RECOVERY AND GROWTH

THE SECOND MAJOR GOAL OF THE DEPARTMENT IS TO STIMULATE PRODUCTIVITY, ECONOMIC RECOVERY AND GROWTH.

THE MORE WE LOOK AT THE QUESTION OF INDUSTRIAL COMPETITIVENESS, THE MORE WE SEE THE NEED FOR COOPERATIVE RESEARCH AND DEVELOPMENT WITHIN INDUSTRIES AND THE IMPORTANCE OF TECHNOLOGICAL DEVELOPMENT IN BASIC INDUSTRIES. THE NATIONAL BUREAU OF STANDARDS IS ALREADY ACTING ON THESE NEEDS. MEASUREMENTS AND STANDARDS DEVELOPED BY NBS ARE OFTEN CRUCIAL FACTORS IN SOLVING INDUSTRIAL PROCESS PROBLEMS OR UNLOCKING NEW TECHNOLOGIES FOR INDUSTRIAL USE. THERE ARE THREE SUCH PROPOSALS IN THE FY 1985 BUDGET. WE HAVE INCLUDED $2.5 MILLION FOR A PROGRAM TO IMPROVE QUALITY AND PROCESS CONTROL FOR AMERICAN INDUSTRY. THE PROGRAM WILL RESULT IN LOWER COST, HIGHER QUALITY PRODUCTS BETTER ABLE TO CHALLENGE FOREIGN COMPETITION. THE SECOND RESEARCH INITIATIVE IS AIMED AT UNDERSTANDING THE BIOCHEMICAL PROPERTIES AND PROCESSES FOR COMMERCIAL APPLICATION OF BIOTECHNOLOGY. FINALLY, NBS PLANS TO ESTABLISH A COLD NEUTRON RESEARCH FACILITY. THIS WILL GIVE U.S. SCIENCE AND INDUSTRY ACCESS TO AN IMPORTANT TOOL FOR ADVANCED MATERIALS RESEARCH. THE NBS REACTOR CAN BE MODIFIED FOR THIS PURPOSE AT A FRACTION OF THE COST OF BUILDING AN ENTIRELY NEW FACILITY. WESTERN EUROPE ALREADY HAS THIS TYPE OF FACILITY AND JAPAN IS SPENDING $150 MILLION TO DEVELOP ONE.

MANAGING OCEANIC AND ATMOSPHERIC RESOURCES

THE THIRD GOAL ENCOMPASSES THE PROGRAMS OF THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION. IN 1985 WE PLAN TO FOLLOW THE SAME COURSE WE HAVE LAID OUT IN PREVIOUS BUDGETS. WE BELIEVE THAT NOAA'S PROGRAMS SHOULD BE LIMITED TO THOSE THAT ARE CLEARLY FEDERAL RESPONSIBILITIES AND THAT HAVE HIGH BENEFITS RELATIVE TO THEIR COSTS.

THE 1985 BUDGET CONTINUES FUNDING FOR MAJOR SYSTEMS REQUIRED TO MODERNIZE THE NATIONAL WEATHER SERVICE. ONE OF THESE IS THE NEXT GENERATION RADAR, WHICH SHOULD GREATLY IMPROVE OUR ABILITY TO DETECT AND PREDICT SEVERE WEATHER WHEN INSTALLATION BEGINS IN 1988. NEW INSTRUMENTS FOR THE GEOSTATIONARY WEATHER SATELLITES WILL IMPROVE SHORT-TERM FORECASTS. A DEPARTMENTAL TASK FORCE IS REVIEWING THE FEASIBILITY OF REORGANIZING AND MODERNIZING THE WEATHER SERVICE FIELD STRUCTURE SO THAT TECHNOLOGY SUCH AS THIS CAN BE INTRODUCED IN THE MOST EFFICIENT AND EFFECTIVE MANNER.

IMPROVE SERVICE DELIVERY AND INTERNAL MANAGEMENT

OUR FINAL GOAL UNDERPINS ALL THE OTHERS -- TO IMPROVE SERVICE DELIVERY AND INTERNAL MANAGEMENT. THE FEDERAL GOVERNMENT JUST CAN'T BRING SPENDING UNDER CONTROL WITHOUT TAKING THE STEPS ANY GOOD MANAGER WOULD TO CUT OUT FAT AND IMPROVE QUALITY.

AT COMMERCE WE'RE PROUD OF THE ACCOMPLISHMENTS WE HAVE MADE SO FAR. MANY OF OUR EFFORTS HAVE BEEN TAKEN UP GOVERNMENT-WIDE UNDER REFORM 88. LAST YEAR I TOLD YOU ABOUT A PILOT PROJECT TO PROVIDE ALL ADMINISTRATIVE SERVICES IN THE WESTERN PART OF THE COUNTRY THROUGH A SINGLE SUPPORT CENTER. THAT PILOT WAS A SUCCESS, AS WE WERE SURE IT WOULD BE. NOW WE HAVE A TOTAL OF FOUR CENTERS IN OPERATION, COVERING THE DEPARTMENT'S ENTIRE FIELD

OPERATION. THE DEPARTMENT IS LOOKING AT THE NEXT STEP -- PROVIDING CENTRAL SERVICES FOR THE NATIONAL CAPITAL AREA. THIS ENTIRE CONCEPT OF STREAMLINING AND IMPROVING SERVICES IN THE FIELD IS HIGH ON THE REFORM 88 AGENDA.

IN 1985 IT IS NECESSARY TO MAKE CAPITAL INVESTMENTS FOR TWO SYSTEMS -- TELECOMMUNICATIONS AND A SCIENTIFIC COMPUTER -- IN ORDER TO MEET OUR NEEDS EFFICIENTLY. BOTH THE HOOVER BUILDING AND THE NBS GAITHERSBURG SITE HAVE AGING TELECOMMUNICATIONS SYSTEMS THAT ARE COSTLY TO MAINTAIN AND MODIFY. NBS IS TRYING TO COPE WITH A 30-YEAR OLD SYSTEM THAT IS INADEQUATE FOR ELECTRONIC DATA TRANSMISSION. WE ARE PROPOSING $5.7 MILLION TO INSTALL NEW SYSTEMS AT BOTH SITES. THE SYSTEMS WILL PAY FOR THEMSELVES WITHIN FIVE YEARS.

NBS AND NOAA ORIGINALLY IDENTIFIED THEIR NEEDS FOR ADDITIONAL SCIENTIFIC COMPUTING CAPACITY INDEPENDENTLY, AND THE TWO PROCUREMENT PLANS WERE PROCEEDING ALONG PARALLEL TRACKS. BUT WE REALIZED THAT THE REQUIREMENTS COULD BE MET MUCH MORE ECONOMICALLY BY A SINGLE FACILITY. THE 1985 BUDGET INCLUDES AN INCREASE OF $8.9 MILLION TO ESTABLISH A CONSOLIDATED COMPUTER FACILITY AT THE NBS GAITHERSBURG SITE. WE EXPECT THIS APPROACH TO SAVE OVER $20 MILLION IN CAPITAL COSTS ALONE.

THIS CONCLUDES MY FORMAL STATEMENT. MY COLLEAGUES AND I WILL BE PLEASED TO ANSWER YOUR QUESTIONS.

OPENING STATEMENT

Secretary BALDRIGE. With that opening, Mr. Chairman, if I may, I could just skip reading this.

Senator RUDMAN. That is fine. If you would like to please give us your own overview.

Secretary BALDRIGE. Well, if I can just skim it and maybe hit some of the high points. We can report economic recovery—as a matter of fact, we are in the expansion phase—is an accomplished fact. Almost 5 million people have gone back to work since the recovery began. We are having good results with our anti-inflation program. That is so important. If we want to sustain recovery, I think the only way we can have one is if we keep inflation down and keep the recovery moderate.

GNP INCREASE

We will see in the first quarter, perhaps a 6-percent—it should be even over that, it is difficult to predict—rise in GNP. A portion of that 6-percent rise, or whatever it turns out to be, comes from the fact that the fourth quarter of last year, we had very bad weather over a lot of the country, so there was a cut in retail sales. So some of that translates over to the first quarter and makes it stronger than it otherwise would have been.

REDUCTION IN FARMING

Farming was down in the fourth quarter—the PIC program, weather, and so forth. That will be coming back some. Our quarterly merchandise trade balance was the worst ever for the fourth quarter of last year. All those together made the fourth quarter of last year less high than normal and is going to cause a rebound in the first quarter.

Looking ahead to the second quarter, I think we will not show the same growth as the first quarter so we can see 6 and 4 percent—I don't know, I am just picking these out of the air. I am looking ahead to the time that that is not something we should worry about. We should worry about it if it kept increasing beyond the first quarter but at the same time we do not want to fall into the error of saying that the economy will be slowing down. It is a perfectly normal sequence of events and really what we should do is take the first half of this year as a whole and average out the two quarters.

DEPARTMENTAL REORGANIZATION

We have done some reorganizing in the Department. That is detailed out here. I won't go into that, but we have tried to make our services more efficient and cut overhead, and in so doing, the two work together. We have made some cuts and proposed some cuts. We have got a budget deficit, and we feel we have to step up and do some things that may not be to the Senate's or Congress' liking.

I think those are the points I wish to make, Mr. Chairman. It probably will be more productive to answer questions.

Senator RUDMAN. Thank you very much, Mr. Secretary. We do have some questions. I will ask those that are most significant. To the extent we have others, we will let you answer those for the record. We are going to keep the record of the subcommittee open this year until May 1, a date we are going to use so that all the witnesses we have will have a good amount of time to submit any additional information that we request.

Secretary BALDRIGE. The NOAA hearing was postponed from next week until, was it, May 1?

Senator RUDMAN. We may give them a 48-hour extension. That would be the last hearing, would it not? That, of course, is another situation which none of us can anticipate. The May 1 date was set. I think the chairman assumed the Attorney General would be in place by that time. He still may assume that, but reading the morning papers, you never know about these things.

CONFRONTATIONS BETWEEN DEPARTMENT AND CONGRESS

The first question I would have for you: Over the last several years, we have had what you call a series of confrontations between the various House committees and this committee, on the one hand, and the Department on the other, on major policy differences such as proposed elimination of EDA, trade adjustment assistance, sea grant, and some other disagreements in areas with a smaller budget impact.

I see again we have those same proposals, Mr. Secretary, and I would guess we don't have to spend an awful lot of time talking about them; I suspect we will end up rejecting your submissions this year and going about it the way we did last year.

I am wondering whether or not we might find a way in the future, assuming there is a future, not to continue to have these confrontations. You know our position on it. It is almost a unanimous position on the committee. I wonder if you would like to comment on this, specifically in terms of EDA, trade adjustment assistance, sea grant?

Secretary BALDRIGE. I know, Mr. Chairman, this is the third time. I had to ask my wife to marry me three times. My wife didn't say yes until the fourth time I asked her. We will just have to see what happens this time.

Senator RUDMAN. You would not like to give us a stirring defense of the position that you have set forth this year? You let us work our will on this particular—unless there is anything particularly new you want to tell us about it.

Secretary BALDRIGE. You know, there is nothing new on Economic Development Administration we haven't been over before. I would like to emphasize that this is a program that doesn't work. It doesn't mean it doesn't work anywhere. There have been some good EDA projects, but overall, you have to look at the fact that the Senate and the House in their wisdom for purposes of allocating distressed area ratings to parts of the country have gone from including 12 percent of the country in distressed areas to 80-odd percent in distressed areas.

It is impossible to run a program like that without getting into political decisions to some extent because everyone thinks their State ought to have some of those funds. As a result, 40 percent of them are under water. That means that overall, this is costing the public a lot more than any original estimates had figured out. It is simply not a program that works.

The economic recovery program, with all of its facets, has put 5 million people back to work. As long as you have Urban Development Action Grants, enterprise zones, which I think we ought to pass, Farmers' Home Administration and some of the other programs, we feel, and I do feel personally, that EDA is not a program that works.

The NOAA cuts all center around the fact that really when programs affect a region specifically, if they are that good, the region ought to develop their own programs. We have set up the Sea Grant program, and Coastal Zone Management. We set them up so everybody has had a look at them now and the States have had experience with them and considerable moneys have been spent there. If they are doing some good, we feel the States involved should pick them up. I think EDA and NOAA—the weather stations——

POSSIBLE ALTERNATIVE ON EDA

Senator RUDMAN [interposing]. We all understand that issue, but on EDA, let me just ask another question. I don't think you find too much disagreement from a lot of people about the general statement you make about EDA. By your own statement, it has not worked well everywhere, but it has in some places. The problem this subcommittee has had—and I guess our counterpart in the House, although I suspect the motivations might be different in some places—is that several Members of this committee, including this Senator, can point to EDA programs in the States which have been extraordinary, among some of the best programs that we have ever seen administered of any kind by the Federal Government, and I am particularly referring to northern New Hampshire.

Although we have had economic recovery and unemployment in New Hampshire is slightly over, I think, 3.5 percent, you say, well, that is really booming, but if you look north of Concord, NH, into that valley going up to the Canadian border, there has been great hardship, low pay. EDA has very effectively gotten things going where there seems to be no other way to do them.

It seems to us if you want to come to us again with this proposal there ought to be some alternative that you propose that we might consider. Absent an alternative to consider and seeing some of these good programs, I guess we do the reverse of throwing the baby out with the bath water. I guess we throw more water in with the baby.

I don't know if you want to respond to that, but that is really the issue. That, of course, is why I tend to disagree on this because there has been no alternative.

Secretary BALDRIGE. The trouble is for every four good ones, there are four bad ones. I have seen some good ones, too, Senator, but I have seen a bunch of bad ones. The political pressures I might be able to withstand, but it is difficult if you were working in EDA to have a Senator or Congressman on your back all the time. The EDA Administrator is in this position. I think it is running roughly the ratio of, say, for every nine projects submitted that we get calls on, one of them gets through. That means if you or I were running EDA as administrator, we have eight people mad at us——

Senator RUDMAN [interposing]. I believe the new Assistant Secretary that handles that is from New Hampshire; am I correct?

Secretary BALDRIGE. That doesn't make any difference.

Senator RUDMAN. No, I think she will be quite able to deal with that kind of discord, so long as certain projects get through, I suppose. [Laughter.]

EXPORT LICENSING REQUEST

Let's go on to a much more contentious, if there is a more contentious issue. You are requesting an additional 60 positions and $5.9 million to strengthen and continue the automation of the Export Licensing Program. This committee has been supportive of this effort in the past, given the problem of the illegal transfer of high-technology equipment to the Soviet bloc.

We are concerned with the request of $3.5 million for law enforcement activities under the Export Administration Act. The Senate passed a reauthorization of that act several weeks ago which places enforcement responsibilities with the Customs Service. Earlier this year, the committee denied the reprogramming to increase export enforcement activities due to the position of the Banking Committee, and now that of the full Senate.

In addition, we expressed serious misgivings about creating, in effect, a new law enforcement agency. Mr. Secretary, would it not be more efficient use of limited Federal resources to allow the Customs Service to just go ahead and enforce the Export Administration Act and let the Commerce Department concentrate on promoting trade? I understand from reports I have read personally, there may be—I don't want to say confrontation—but difficulty between two agencies, and we have to eliminate that. Will you comment, Mr. Secretary, on that?

Secretary BALDRIGE. The administration's position has been to keep the enforcement authority in Commerce where it has always been and work out differences with Customs with a memorandum of understanding, which we have done.

Essentially, to get to the heart of the problem, when it was decided that Commerce should have the responsibility for licensing, there was also the responsibility for enforcement put in. These are very highly technical questions that need the licensing and the enforcement in the same Department. You don't get the cross-flow of information between departments. It is too highly technical for straight Customs enforcement unless they have that ability also.

My personal position has always been that you have to have the two together. If this was separate, it would really not work unless the licensing shifted too. On the licensing end of it, during the period of détente and after that, this was not such a problem as it has become lately. In the past Commerce didn't have a big force or well-trained force. When I came here, we were deficient in that area. We recognized the problem. We brought in two excellent men to run this, Theodore Wu, who is in direct charge of enforcement—he was a very successful prosecutor, most successful ones on these kinds of cases on the west coast—and Bill Archie, who is the Acting Assistant Secretary for Trade Administration.

With those men in place, I think we started to build up the organization. We took the existing staff—they had never been trained—and sent them to the Treasury training school down in Georgia. We have hired in that area—we have gone from 44 to 107 people. The new hires are all professionals. They are ex-Treasury agents or ex-FBI. They have had that kind of training.

We are just beginning now to see the results of building up that organization. It is far superior to what it was a couple years ago, and it isn't all the way to where we want it. It is improving.

If you took the enforcement out and let the licensing stay, sure as I am sitting here, you would not achieve the desired results. So we felt it is better having an MOU with Customs. They couldn't be expected to know all the technical details on how we are going to work this around the world, and we have worked out that particular MOU.

So our position is we should settle that by MOU and work together on the enforcement area so around the world we cooperate more. There hasn't been enough cooperation. There have been gray areas on division of responsibility.

EXPORT ADMINISTRATION ACT ENFORCEMENT

Senator RUDMAN. I have a memo here from the staff on the MOU itself. It is our understanding it deals with liaison and cooperative investigations. It really doesn't settle the policy issue of who is going to have jurisdiction over the enforcement of the Export Administration Act.

Secretary BALDRIGE. It does, because implicit in that, enforcement stays with Commerce. That is the administration's position, the overall enforcement position.

Senator RUDMAN. Responsibility, that is true. Knowing something about this and having, as you know, a law enforcement background, I can tell you there is nothing worse that I have ever seen happen than to have two separate, reasonably powerful, well-established law enforcement agencies fighting over the same issue.

The issue may have been settled at the highest level. I am not sure it has been settled out in the field where the work is. I don't think we have to extend this conversation other than to say we are still concerned about it. I don't express that just for myself. I know that is a concern of many members of the subcommittee and of the authorizing committees. I just mention that.

I used to see it in my own State police, local police, and county sheriffs all fighting over a body to see who had jurisdiction in a murder case. It may seem humorous, but it was not humorous at that time. There had to be one powerful individual—me, as Attorney General—step in and say who is responsible. In San Francisco, Boston, New York, and here in Washington, you may have it settled, but I think it is still unsettled out there. I don't think you want that, and I don't think Customs wants that. I want to commend that to your attention.

U.S. AS A DEBTOR NATION

Going on to another subject, Mr. Volcker said the other day that the United States stands to become a "debtor nation" if we continue to attract foreign investment and imports due to the overvaluation of the dollar. Do you share his fear, and what do you think we can do to reverse the trend?

Secretary BALDRIGE. I think the chairman was talking about long term, not short-term fears with the United States being a debtor nation temporarily. Over a long period of time, we can get into the position of increasing foreign ownership of our own assets and all of the things that entails—research and development, certain areas, and so forth.

Temporarily, I think that is not a problem. Any country can go through that kind of thing for a while. The dollar itself has obviously caused part of this and that is beginning, in my opinion, to reverse the process. You can't have the size trade deficits we have had 2 or 3 years running with the expectation of this year and next year having huge trade deficits without a self-correcting mechanism on the dollar side, which means we already have seen some fall. We hope it is not a precipitous fall. I don't think it will be because this country has too many attractions for investors around the world relative to other countries.

There is some recognition of the deficit problem we are having because with another currency like the mark, or what have you, if it goes up relatively, that causes some shift in funds out. Now, if we had a 40-percent free fall like someone suggested, that would really be bad for us because it would drive interest rates up; it would be going too fast, too unsettled. If we had a reasonable 10, 15 percent a year for a couple of years, that would clear up some of the problem you are talking about.

TRADE ADJUSTMENT ASSISTANCE

Senator RUDMAN. I want to move on to the Trade Adjustment Assistance program briefly. I believe you have or will have in your office a letter which I asked the staff to send over to you concerning a witness we had here last week from the McCreary Rubber Co. up in Pennsylvania. He presented some very interesting and, I thought, striking testimony about what the Trade Adjustment Assistance Program had done for his company. We were talking mainly technical assistance. I don't know if you have received that from us or not. You will have it in your office maybe this week.

I will not go into a lot of discussion about that, but I would simply ask that you look at that and get back to the subcommittee as to your response to that because we are talking about a relatively minor investment of $15 million in technical assistance.

From what this witness testified, in terms of maintaining American jobs, it was very interesting testimony, some of the best we have had here. So I ask, Mr. Secretary, that you look at it and get back to us on that point.

[The information follows:]

LETTER FROM SECRETARY BALDRIGE

APRIL 10, 1984.

Honorable WARREN B. RUDMAN,
United States Senate,
Washington, D.C.

DEAR WARREN: Thank you for your letter regarding the testimony of Mr. Donald Mateer, President of McCreary Tire and Rubber Company, in favor of continuing the Trade Adjustment Assistance (TAA) program.

I am pleased that McCreary Tire has been successful in its recovery with the help of assistance from the TAA program. Although there are success stories, the fact is that the firms that received our assistance have suffered from problems other than competition from imports. Fully 60 percent of assisted firms are delinquent or have subsequently failed. Congress directed the split between loans and technical assistance in the Department's FY 1984 Appropriation. We are not requesting funds for TAA in FY 1985.

Thank you for bringing this testimony to my attention.

Sincerely,

MALCOLM BALDRIGE,
Secretary.

LANDSAT COMMERCIALIZATION

The Commerce Department issued a request for proposal earlier this year to commercialize NOAA's Land Sensing Satellite System, or LANDSAT. Last week, the Office of Technology Assessment issued a report that concluded it could cost the Federal Government as much to subsidize a private owner as it would to continue operating LANDSAT itself.

If, in fact, this turns out to be true, after your own independent analysis, would you still support commercialization at that point?

Secretary BALDRIGE. Yes, if it wasn't financially better for the U.S. taxpayers, if our security concerns were not met adequately, either one of those would cause me to change my position.

Senator RUDMAN. One of the problems is, the defense and intelligence communities are the largest users of the LANDSAT system. If it were commercialized, knowing those folks over there, they might go ahead and decide to launch their own and then, of course, any savings to the Government would certainly be lessened.

Secretary BALDRIGE. We were very careful to include that clearly in this whole process, all defense, national security kinds of agencies, CIA, and so forth. They cooperated on putting restrictions in the request for proposals. I have to assume those were met.

Senator RUDMAN. We are going to give you for the record one question which I would like to have you answer for the record rather than here about the A–76 process of NOAA, a rather contentious issue.

Rather than have you answer it here, I would like you to answer that for the record.

We already addressed weather stations. I have another question for the record on that.

REDUCTION TO NOAA'S RESEARCH PROGRAMS

A matter of some sensitivity to me and to you as an individual being from Connecticut, the President announced in his state of the Union address a major effort to increase research on acid rain and to commit $40 million to clean up the Chesapeake Bay. However, the Department proposes to reduce NOAA's research substantially in both areas. Can you explain that apparent inconsistency?

Secretary BALDRIGE. Mr. Calio is closer to that Chesapeake Project.

Mr. CALIO. Tony Calio, Deputy Administrator of NOAA. We have $2.3 million in the acid rain research activity——

Senator RUDMAN [interposing]. How much again?

Mr. CALIO. $2.3 million, which is also put together with about $55 million for EPA. There is a considerable amount of money going into the acid rain research activities.

The distribution of funds for carrying out that research still has to take place after this proposed budget is resolved. So we would see ourselves carrying out sufficient research based on the recommendations of the task group that had looked at the whole acid rain initiative and accepted a $2.4 million level for NOAA. If any added funds are necessary, then we would see ourselves being reimbursed from the $55 million that EPA has requested for this kind of research activities.

Acid rain research is all coordinated by the Interagency Task Force on Acid Precipitation. This task force actually looks at the various activities by different agencies, makes recommendations as to what those agencies ought to be doing and makes funding recommendations. Our budget is consistent with those recommendations right now.

Senator RUDMAN. I think I understand your answer. I want to look at some of the other numbers. Essentially, what you are saying is that the money you have in there is really an insignificant part of the total.

Mr. CALIO. That is right.

Senator RUDMAN. And change in your budget really doesn't have any significant impact on what the President is proposing.

Mr. CALIO. No, the EPA number is substantially different and has changed. So you must look clear across the entire executive branch.

SCIENTIFIC COMPUTER

Senator RUDMAN. Mr. Secretary, there is a request here for funds for purchase of a Class Six supercomputer to be used by NOAA and the National Bureau of Standards. Can you tell us the needs that generated that particular request? We encourage that, as they will share the computer system; is that a way to save some money? Is it big enough to handle both?

Secretary BALDRIGE. There is a difference, Mr. Chairman, between a regular top-line computer and a scientific computer. This is a scientific computer. In both of those areas, NOAA and the National Bureau of Standards, have worked at some length on this and feel one computer can really handle both needs. We need a computer of this type if we are going to get the job done successfully in the scientific areas.

Senator RUDMAN. Is it likely there are American computers that can be purchased to do this? We talk about the "supercomputers" and dramatic gains, the speed of calculation, of course, we heard a lot recently about what the Japanese are doing.

Mr. CALIO. American-built supercomputers currently available are the Cray and CDC-205.

Senator RUDMAN. Some of us were rather shocked, to put it mildly, when the Social Security Administration—I believe I am correct—bought an Atachi.

Mr. CALIO. I want to add one other point. Our estimate is that in about a year or so, if that procurement is delayed, we may find ourselves sitting in a situation where we might have foreign, Japanese competition. Right now, Cray and CDC are the two leaders.

Senator RUDMAN. It is very discouraging—I am not saying that is wrong. I am making an observation. It is discouraging, with the United States having the latest technology in the world, the Department of Commerce is forced to buy a Japanese computer. That is serious business.

Secretary BALDRIGE. Of course, Mr. Chairman, we have been trying to get the Japanese to open up their markets to the United States. We can't buy American back here and expect them to do otherwise.

To the best of our foresight, right now it probably will be an American computer. I don't think the Japanese can meet the standards.

Senator RUDMAN. I am not proposing to buy American at all. It is just in that particular area, being the leaders of the world, it is a little discouraging.

A couple other points, you have——

Secretary BALDRIGE [interposing]. Mr. Chairman, may I make a point there?

Senator RUDMAN. Sure. I am leaving the best for last.

Secretary BALDRIGE. We still are the leaders in the world in microprocessors. Those are the kinds of chips that have to think. The Japanese are ahead in memory chips. In microprocessors and software we are ahead.

COLD NEUTRON RESEARCH FACILITY

Senator RUDMAN. You are requesting $1.5 million for a cold neutron research facility for the National Bureau of Standards.

Secretary Baldrige. I was afraid you would ask that question.

Senator RUDMAN. Would you like to answer that for the record?

Secretary BALDRIGE. I have to borrow your hands, Tony. Here is my atomic expert. Cold neutrons go one way and——

Mr. Calio. Hot neutrons go another way.

Senator Rudman. I guess that explains it.

Secretary Baldrige. Let me start out and then Tony——

Senator Rudman [interposing]. What we want to know is what type of research you are conducting over there. Can you tell us why you need it? We understand the Japanese are developing a similar one and there is one in Western Europe. We want to know why we want one.

Secretary Baldrige. You can study things like polymers, ceramics, rapidly solidified metals—all of those are growing, new techniques—without destroying them. You can get inside them and find out when they are decomposing and why without having the whole thing just go up like this.

Mr. Calio. You are right.

Senator Rudman. If you want to add anything in your record answer, you may.

LTV/REPUBLIC MERGER

The last thing I have, I don't think we ought to let the morning pass without leaving your budget request and talking about the intellectual differences that you and people at the Justice Department seem to have about the LTV/Republic merger. I believe that you feel, if I construe your statements correctly, that the Justice Department has misconstrued the antitrust laws and to the extent you would like to be heard on this in this forum this morning, I would like to hear your views on that.

Secretary Baldrige. I didn't say they misconstrued the antitrust laws. The point I was trying to make really is twofold. One is they haven't taken into account our Government's international trade policies and domestic economic policy. We have not only been encouraging U.S. industries to restructure and where it is a mature, declining kind of industry, in order to get competitive enough, to modernize, but we have also done that abroad. In the case of the Europeans, we had an agreement after they were found to be subsidizing and breaking our U.S. trade laws by subsidizing, exporting unemployment over here. It was legal under our trade laws to settle that by a temporary restraint system.

The agreement we reached meant that by the end of 1985, these restraints would be off at which time the Europeans must have finished their own restructuring and stopped their subsidies.

So, in effect, that is a way to get them to stop subsidizing. This is a temporary trade agreement. It is not a permanent thing. The Justice Department uses a mechanical system, let me say, percentage shares of the market, squares. I have no quarrel with any mechanical way they want to do it as long as the market that they base it on is a realistic one. Back in 1913 when the Clayton Act was passed, there was no real international competition. The United States was predominant in most industries and that was aimed at the U.S. market.

The Justice Department, using this mechanical system, has defined the market as excluding any European imports, and the agreement we have with them is very temporary, to get them to stop subsidizing.

Senator RUDMAN. Really then——

Secretary BALDRIGE [interposing]. And they have excluded the Japanese who have shown some discretion in the last year, but that is completely on their side. We don't have any agreement with them. They could stop that tomorrow and, as a matter of fact, in the first couple months of this year, they are up about 100 percent over the last year.

LAWS GOVERNING MERGERS

Senator RUDMAN. The essence of your complaint then, if I understand it and you may well be correct, the Justice Department is construing these laws in the context of a domestic market share, and you feel that they ought to address it in terms of a world market share because essentially without protectionist measures, then the domestic market share, what you are saying, just doesn't work.

Secretary BALDRIGE. That is the real world.

Senator RUDMAN. That is really a matter the Congress is going to have to address, it seems to me, more than even the Justice Department.

Secretary BALDRIGE. Well, I think the law—we have already gotten behind a look at those laws on joint ventures on research and development. Now we have a group from the Cabinet Council on Commerce and Trade that is studying mergers that are actually pro-competitive particularly in declining, mature industries. But within the present law, the Justice Department, by taking just the domestic market plus what came in from the developing countries through 1982 has narrowed down the playing field and then used their market percentage shares.

I would like to make two or three other points, as long as I am on that one, Senator. They did not allow any increase in figures of their estimates from developing countries after 1982. Last year, Korea was up 63 percent on steel imports; the Brazilians were up 100 percent; Mexico was up higher than that.

It is unrealistic to say you can freeze those figures in 1982. The developing countries have built brand new mills in the last few years. They are still building them. The Japanese can change their minds tomorrow; the Europeans are on a very short-term arrangement. On top of that, there is no cognizance given to competitive materials. Plastics and aluminum have taken up the flat roll market 20 percent, taken 20 percent of that market in the last 20 years and are going up.

Finally, we are worried about concentration, as we should, that is the purpose of the law, but they don't take into account concentration on the buying side. The biggest flat roll market is automobiles. The big three dominates that. GM dominates over half of that market. You worry about 20 percent concentration with these two companies and GM has 50 percent of the largest segments of the market.

If they can go to the Brazils or South Koreas or other companies in the United States very easily, give them one small bear hug and for that extra volume they bring in—I just don't think it is a realistic playing field. The rules may be all right, but first, you have to decide what game you are playing.

CONCERN ABOUT OIL MERGERS

Senator RUDMAN. I understand your answer, and I am glad we have it on the record because I believe this is a matter we have not heard the last of.

On that subject, would you care to comment at all on the position you now hold in terms of increasing concentration of the oil industry. There are many who feel that kind of concentration is going to decrease the capital available for exploration given the theory it is cheaper to drill for a barrel of oil on Wall Street than it is in Texas.

We now have Mobil and Superior talking about a $5.2 billion merger. As Secretary of Commerce, are you concerned about these mergers? The FTC apparently is not, at least so it seems to date.

Secretary BALDRIGE. I can't say about how far that wave will go. I am not personally concerned to date because I think what you are seeing happen is water, or oil in this case, seeks its own level.

When you get in a position, as we are now, in the world where the easy oil has been found, so now new finds are really expensive in the North Sea, North Slope, Bering Straits kind of situation where it is expensive as can be to drill, much more expensive. You need large combinations to be able to afford that. Until you get to the position where, let's say, it is cheaper for company A to buy company B's known reserves than it is to go drill, and that is just a fact of life, is that bad economically?

I don't think up to date it probably is because it certainly strengthens the companies. They are competing against other world class companies their size or larger around the world and it gives them the advantage of very strong R&D, ability to drill, if it is necessary to make the new finds, and they have the strength of the present reserves.

I find the argument a little bit hard to understand how, if you bought my reserves, company A buying company B, that that will lessen the drilling activity because the fact is, if it is not financially advantageous to drill for larger companies, it is not going to be for a smaller company.

I think until we get more of our present reserves developed that we are not going to see a big move into some of these very high cost areas, but if there is to be a move in the high-cost area, you are better off to have a larger company with the financial resources to be able to take a loss, like this offshore one off the east coast. I forget the company now, but they blew $1.2 billion on that. If it were just a small company, you couldn't even handle that.

Senator RUDMAN. That is a very interesting subject. I am not going to pursue it because it is not really before you, although I think as Secretary of Commerce, you certainly have to have a concern about it. There are some who would disagree with your analysis and particularly about the future. We, as you know, have some legislation pending up here to put a hold on that for awhile, mainly because of the concern of some of the smaller, independent oil companies, as to what this can do.

They, of course, have been responsible, if my numbers are correct, for a large percentage of the oil found in the last 3 or 4 years.

Secretary BALDRIGE. I don't know about the last 3 or 4, but they have been over the development of the oilfields in the United States—I suppose anyone can find a new one tomorrow. Everybody hates to see that typical wildcatter disappear, the very character of American entrepreneurship, and so forth, you are going to see a lot of those and some big oil companies——

SUBMITTED QUESTIONS

Senator RUDMAN. If we have any other questions on that, we will get them to you. We will have some for the record. We got you out of here in less than an hour, Mr. Secretary. Thank you very much

Secretary BALDRIGE. You are the greatest; I appreciate that.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

GENERAL ADMINISTRATION

QUESTION:

The Department is requesting $3.7 million to purchase and begin installation of a new telecommunications system in the Hoover Building. If the appropriation for this purpose were deferred until passage of the FY 1985 Pay and Program Supplemental Appropriations Act (assuming the Act is signed on May 1, 1985), what funds would be necessary at that time?

ANSWER:

If the appropriation for the telecommunications system is not passed late in FY 1985, the entire amount of $3.7 million would still be required. Although the request for proposal (RFP) is written so that no funds will have to be paid to the contractor until acceptance of the system, the entire amount is actually obligated when the contract award is made.

The Department recommends against any delay in funding for the new telecommunications system for the Herbert C. Hoover Building. We feel that any such delay will seriously affect our ability to achieve costs savings. If funds are not available until late in FY 1985, we will have to remain on our current leased off-premise system longer, thereby decreasing anticipated costs savings. For instance, if the proposed telephone "line access charge" is allowed to go into effect, the Department, as well as other Federal agencies, will be faced with additional costs. Installation of the new system, which will be totally self-contained within the Hoover Building (on-premise and under our direct control) will help to minimize the impact of those charges.

QUESTION:

On page GA-30, the justification states that the proposed telecommunications system will result in "$2,720 thousand in management improvement related savings..." What are these "management improvement related savings"?

ANSWER:

Management improvement related savings of $2,720,000, referred to on page GA-30 was derived from the following:

A. Greater inventory control will allow us to limit equipment to that actually required and thus move closer to the GSA target of no more than one instrument per employee. We estimate that by changing the ratio of instruments to employees in the Hoover Building from 1.35 to 1.25 would save approximately $225,000 annually.

B. Costs for changes (station additions, moves, and other changes) currently performed and billed by the phone company can be reduced by about 75% annually because the new system will allow Commerce personnel to automatically make the necessary changes.

C. Software capabilities of the new system will allow us to place restrictions on the use of certain instruments. For example, calls to the commercial operator and to directory assistance may be restricted.

Further benefits will accrue through increased review and reduction of telephone abuses and more efficient use of long distance services.

Carryover Balances

Question:

For those accounts in the Department funded without fiscal year limitation, provide a programmatic breakdown of the unobligated carryover from FY 1983 in each case, with an explanation of the reason for a carryover. In addition, in each such account, with a justification or explanation of each estimate.

Answer:

The following tables provide the requested data on unobligated balances carried forward into FY 1984. Except where noted under NOAA and PTO, we do not at this time anticipate any substantial balances will remain at the end of FY 1984.

Bureau and Appropriation	Amount Available in FY 1984
General Administration	
White House Conference on Productivity.........	$1,121

Source of Carryover

- Most Conference activity took place late in 1983. Four miniconferences were held in the third quarter and the full Conference took place late in September. Obligational authority was extended to January 31, 1984, in order to prepare the final report and complete administrative activities. The final report should be published by the end of February.

Bureau and Appropriation	Amount Available in FY 1984
General Administration	
Special Foreign Currency Program................	$519

Source of Carryover

- o All Special Foreign Currency funds presently available to the Department are being used by the National Bureau of Standards. NBS did not obligate 1983 funds since the monies were unavailable until the Supplemental Appropriations Act was signed in mid-August. The funds are being used for research grants and translation services in India and Pakistan.

Bureau and Appropriation	Amount Available in FY 1984
Economic Affairs: Economic and Statistical Analysis	
National Technical Information Service Scientific and Technical Research and Services..	$620

Source of Carryover

- o Responsibility for NTIS computer services was transferred to the Office of the Secretary after funds for computer enhancement were appropriated to NTIS. Some of the unobligated funds may be used to support workload increases in the Patent Licensing program. The balance of the funds may be used to support NTIS computer services.

Bureau and Appropriation	Amount Available in FY 1984
Economic Affairs: Bureau of the Census	
Periodic Censuses and Programs.....................	$27,576

Source of Carryover

- o $4,614 thousand for the Economic Censuses
- o $5,305 thousand for the Census of Agriculture

The 1982 Economic Censuses and 1982 Census of Agriculture were collected and are being processed simultaneously for the first time. The Census Bureau developed and implemented a new automated processing system to process these censuses. Because of the uncertainties as to the individual annual cost during the six-year lifecycle of these censuses, the Census Bureau increased the budget for the early years and decreased it in the latter years in the census cycle. These budgeted funds will be obligated in FY 1984 consistent with initial planning for the 1982 censuses.

A Congressional add-on of $1.0 million for the National Transportation Survey added to the total carryover balance. Because the $600 thousand reprogramming for the Commodity Transportation Survey was approved late in the year, this money was carried over into FY 1984.

o $610 thousand for the Census of Governments

The Census Bureau developed a new general tabulation system for publication tables to take advantage of new computer processing capabilities. Because the new tabulation system required a revision to the computer programs, the startup of the processing schedule for publication tables was delayed until FY 1984.

o $1,464 thousand for the Intercensal Demographic Estimates

In the 1983 Continuing Resolution, Congress added $2 million for improvement of population estimates. This money did not become available until the second quarter of FY 1983. For the Census Bureau to improve the estimates, research work first had to be carried out to develop the most appropriate methodology for developing such estimates. Because the money did not become available until the second quarter, the improvement research could not be accomplished in FY 1983. The remaining research and subsequent implementation of improvements will be carried out in FY 1984.

o $7,876 thousand for the Decennial Census

Edit and tabulation problems in the data files delayed the professional review and clearance of the summary tape files, the analyses and preparation of statistical reports, and the completion of processing of the summary tape files. These processing delays caused production delays in the publication of derivative reports and completion of the Neighborhood Statistics program that uses the summary tape files for producing special data tabulations for local areas. Additionally, work effort diverted to defending against the New York law suit delayed the evaluation and experimental studies. The funding carried over into FY 1984 will be used for evaluation and experimental studies, publication of derivative reports and completion of the Neighborhood Statistics program.

- $506 thousand for Geographic Support

  Because the 1983 Continuing Resolution was not enacted until the second quarter of FY 1983, the Census Bureau was delayed in the startup of new geographic support work.

- $7,201 thousand for Data Processing Systems

  Procurements were delayed for the disk subsystem ($1.4 million), the geographic support system ($.5 million), the Univac 1100/83 computer system upgrade ($1.8 million), the interactive publications services system ($.6 million), and several service and equipment lease-to-ownership contracts ($.9 million). These contracts will be obligated in FY 1984.

Bureau and Appropriation	Amount Available in FY 1984
International Trade Administration	
Operations and Administration	
o Source of Carryover:	
-- TAA Grants	$805
-- Beijing Trade Fair	2,448
-- Other ITA programs	5,070
Total	$8,323
o Proposed Uses in FY 1984:	
-- TAA Grants	$805
-- TIMS	298
-- Wang upgrade (completion)	600
-- Trade Administration (start-up)	6,000
-- Centralized Charges associated with FY 1984 start up	620
Total	$8,323

Carryover Generation

- ITA had an FY 1983 carryover of $8,323,000.
- $805,000 was in the TAA area.
  - ITA had originally proposed to use FY 1982 TAA carryover ($5,118,000) to pay for pay related ITA costs.
  - Congress gave ITA instructions to restore the full $5,118,000 to TAA.
  - The lateness of the Congressional directive made it impossible to obligate the full amount.

- $2,448,000 was the unobligated balances of the $3,000,000 appropriated for the Beijing Trade Fair.
  - -- This fair has been cancelled.
- $298,000 was for the Textile Information Management System.
- The remaining carryover ($4,772,000) results primarily from delays in filling new positions in Trade Administration and constraints placed upon ITA (primarily the USFCS) due to uncertanties regarding passage of an FY 1983 pay supplemental.

Use of Funds in FY 1984

TAA Grants: $805,000

- The unobligated balance of $805,000 as of 9/30/83 which will be obligated in FY 1984.

TIMS: $298,000

- Represents the remainder of the $2.4 million provided by Congress in 1980 for operation and maintenance of the Textile Information Management System.

WANG Upgrade: $600,000

- Upgrading and expansion of word processing capabilities.
- Install security controls at appropriate facilities.
- These funds were budgeted for in FY 1983 but did not get obligated as planned.

Trade Administration Start-up Costs: $6,000,000

- Improve the Export Control System by meeting the goals of Distribution Licenses, Foreign Availability, technical analysis, and computer development.
- Strengthen existing and establish new enforcement field offices, and augment Intelligence Staff capabilities.

Centralized Costs associated with 84 Start-up: $620,000

- Meet substantial expenditures for support services budgeted by ITA such as space, telephone, printing, etc.
- These funds will pay for all centralized costs associated with the start-up.
- Original cost are budgeted as part of ITA's FY 1985 proposed increase pending before Congress.

Bureau and Appropriation	Amount Available in FY 1984
Minority Business Development Agency	
Minority Business Development.................	$1,945

Source of Carryover

- $1,200 thousand

  The Department's Financial Assistance Review Board raised questions regarding MBDA funding of trade associations in 1983. Awards were delayed until the issues were resolved. All of these funds have been awarded in FY 1984.

- $745 thousand

  These funds are prior year recoveries realized late in the year. Grant awards could not be processed in time for obligation in 1983. MBDA plans to obligate these program funds in 1984.

Bureau and Appropriation	Amt. Avail. in FY 1984
National Oceanic and Atmospheric Administration	
Operations, research and facilities.........	$ 15,478
Coastal zone management.....................	5,493
Construction................................	6,727
Coastal energy impact fund..................	1,799
Federal ship financing fund.................	1,385
Fishing vessel and gear damage compensation fund.........................	6,410
Fisherman's contingency fund................	319
Fisherman's guaranty fund...................	323
Foreign fishing observer fund...............	1,349
Promote and develop fishery products........	639
Total................................	$ 39,920

Operations, Research and Facilities

The amounts carried over into FY 1984 represent only 1.45% of the total budgetary resources available in FY 1983 and were due to a deferral, delays in procurement, and in some cases, delays in the implementation of certain programs. The programmatic breakdown is as follows:

FY83 Carryover used for programs as appropriated ($15,478)

- Non-Living Marine Resources - ($436K)
  - Delays in the Department of Energy Ocean Thermal Energy Conversion (OTEC) pilot program created a lag in obligating NOAA's "Fisheries Effects Study - the Effect of OTEC Operations on Fisheries" contract ($143K).
  - A sole source procurement for the purchase of a Sea MARC Ocean Floor Imaging System was delayed in the procurement process from April, 1983 until early FY 1984 ($293K).
- Ocean Research - ($2,000K)

  A grant modification to the University of Southern California delayed the expenditure of $2M provided in the FY 1983 supplemental for the construction of a new habitat system for the NOAA Undersea Research Program (NURP).
- Ocean Services - ($499)
  - Contract awards and equipment purchases were not processed until after the close of FY 1983.
- Mapping, Charting and Geodesy Programs - ($245K)
  - Contracts and other costs for this program were not processed until after the close of FY 1983.
- Conservation and Management Operations-($3,342K)

  Fishery Management Programs ($399K):
  - Delays occurred in contracting for A-76 cost studies at four National Marine Fishery Service Centers ($274K).
  - The contract for the preparation of the Atlantic Bluefish Tuna Fishery Management Plan did not clear procurement in FY 1983 ($50K).
  - Final clearances for a Salmon study grant to the state of California were not received prior to the end of FY 1983 ($75K).
- Protected Species Management - ($1,815K)
  - This represents delays in the processing of several contracts and supplies for this line item.

Grants to States - ($927K)

- Due to delays in processing and awarding grants to States under P.L. 88-309 and P.L. 89-304.

- Enforcement and Surveillance - ($201K)

- Contracts in the Alaska Region of NMFS were not processed as fast as anticipated.

○ Public Warning and Forecast Services - ($2,239K)

- A procurement for remote terminals for Automation of Field Operations and Services AFOS has been processed by DOC. The RFP was issued and replies were received by mid-May 1983, and the evaluation of those proposals was not completed in time to obligate the funds in FY 1983 ($1,591K).

- Delays in processing contracts for communications programs ($648K).

○ Atmospheric and Hydrological Research - ($5,052K)

- Delays in processing contracts for meteorological research programs ($212K).

- A total of $1,875 in procurement actions for upgrading NOAA's computer systems were not processed by the end of. FY 1983.

- Funds for procurement of a computer for the Environmental Research Laboratory were deferred in FY 1983 to be used as a general funding offset in FY 1984 ($2,965K).

○ Satellite Services - ($125K)

- A contract for LANDSAT Operations did not clear the procurement process in FY 1983.

○ Satellite Systems - ($126K)

- Costs for procurement of equipment were lower than anticipated. Carryover funds for this program as well as for Satellite Services are necessary to fund a contract termination settlement,

○ Executive Direction and Administration - ($1,414K)

- The actual costs for space usage were $218 less than anticipated and will be used to fund an expected shortfall in this area in FY 1984.

- Of the funds provided in the FY 1983 Supplemental for the start-up costs of the Administrative Support Centers (ASC's), $846K was planned for obligation in FY 1984 to complete the implementation of the ASC's.

- At the end of FY 1983, several small balances adding up to $350K remained unused and are held by the Administrator in order to assist in covering unforeseen emergencies in FY 1984.

Coastal Zone Management

This represents grants that were not awarded by fiscal year-end in the following programs:

-States assistance programs	$ 3,489K
-Estuarine Sanctuaries	967K
-Marine Sanctuaries	266K
-Program Management	771K
	$5,493K

Construction

FY 1983 Carryover: $6,727K

These funds represent unobligated balances necessary to complete NOAA's Western Regional Center in Seattle, Washington. This project is expected to be completed by the end of FY 1984.

Coastal Energy Impact Fund

FY 1983 Carryover: $1,799K

These funds represent unobligated grants for various state assistance programs.

Federal Ship Financing Fund

FY 1983 Carryover: $1,385K

These funds represent unobligated balances from premiums earned and appropriations received in prior years. The carryover is primarily composed of receivables and\thus not available for outlay purposes.

Fishing Vessel and Gear Damage Compensation Fund

FY 1983 Carryover: $6,410K

Since FY 1981, claims for losses and damages to fishermen's gear have been lower than anticipated and a large carryover is the result. Consequently, no appropriation for this fund is requested in FY 1985.

Fishermen's Contingency Fund

FY 1983 Carryover: $319K

The carryover results from claims against the fund being lower than anticipated. However, we anticipate that obligations in FY's 1984 and 1985 will be larger than requested appropriations and this carryover is expected to decrease.

Fishermen's Guaranty Fund

FY 1983 Carryover: $323K

This carryover is a result of FY 1983 payments being lower than anticipated. It is very difficult to predict seizures of American fishing vessels in foreign waters, so this carryover is necessary to cover any unforeseen claims in excess of appropriated amounts.

Foreign Fishing Observer Fund

FY 1983 Carryover: $1,349K

This carryover results from the requirement that fees are collected in advance to cover costs for observers to be placed on foreign fishing vessels to collect scientific information on the foreign catch, and monitor compliance with the provisions of the Fishery Conservation and Management Act (FCMA) of 1976.

Promote and Develop Fishery Products and Research Pertaining to American Fisheries

FY 1983 Carryover: $637K

Several grants were not processed before year-end closing, specifically: New England Development Foundation ($490K); European Market Information System (117K); and Evaluate Automatic Squid Processing System ($30K).

Anticipated FY 1984 Carryover:

Operations, Research and Facilities

FY 1984 Estimate $-0-

NOAA expects to obligate all the resources available in FY 1984 in this account. However, while management does its best to ensure that all programs are carried out as mandated by the Congress, historically there have been small carryovers due to unavoidable delays in the processing of thousands of contracts and grants. No carryover is expected at this time.

Coastal Zone Management

FY 1984 Estimate: $-0-

This is primarily a grant program and all grants are expected to be awarded by the end of FY 1984. However, if delays occur in the ratification process at the State level or in the grant review process, there may be some unobligated balances carried over.

Construction

FY 1984 Estimate: $-0-

The construction of NOAA's Western Regional Center in Seattle, Washington, should be completed by the end of FY 1984. Therefore, no carryover funds are expected.

Coastal Energy Impact Fund

FY 1984 Budget Estimate: $-0-

All budgetary resources available in FY 1984 are expected to be obligated and no carryover is anticipated at this time.

Federal Ship Financing Fund

FY 1984 Estimate: $4,100K

This entire estimate is based upon receiving large proceeds from the sale of collateral by the end of the fiscal year. That portion of carryover that is unencumbered by receivables is to be used for redemption of debts outstanding.

Fishing Vessel and Gear Damage Compensation Fund

FY 1984 Estimate: $6,028K

This carryover is proposed to be used to finance an estimated $2.1M in obligations in FY 1985 and, as a result, no appropriation is requested for FY 1985.

Fishermen's Contingency Fund

FY 1984 Estimate: $263K

This carryover is proposed to be used to finance obligations in excess of appropriations amounting to $56K in FY 1984 and $150K in FY 1985.

Fishermen's Guaranty Fund

FY 1984 Estimate: $322K

This carryover is proposed to be used to cover any unforeseen claims in excess of appropriated amounts resulting from seizure of American fishing vessels in foreign waters.

Foreign Fishing Observer Fund

FY 1984 Estimate: $1,349K

This carryover results from the requirement that fees be collected in advance to cover expenses of observers to be placed on foreign fishing vessels to collect scientific information on the foreign catch, and monitor compliance with the provisions of the Fishery Conservation and Management Act (FCMA) of 1976.

Promote and Develop Fishery Products and Research Pertaining to American Fisheries

FY 1984 Estimate: $-0-

NOAA expects to obligate all the resources available in FY 1984 in this account. However, while management does its best to ensure that all programs are carried out as mandated by the Congress, historically there have been small carryovers due to unavoidable delays in the processing of grants. No carryover is expected at this time.

Bureau and Appropriation	Amount Available in FY 1984
Patent and Trademark Office	
Salaries and expenses	$6,549
Fee Revenue	3,655
Total	10,204

Source of Carryover

Salaries and Expenses:

- $2,449 thousand for automation

— Workstations and User Services	$930
— Text and image capture	210
— Data base processing	500
— Management services	502
— Network and process control	300
— Current systems and staff	7
Total, automation	2,449

Variances to the Automation obligation plan are due primarily to a lag in expected 1983 contract awards to 1984:

- Trademark search subsystem: Awarded 12/83.
- Automated patent system: Award (est.) 3/84.
- Patent data base capture: Award (est.) 6/84.

- $1,163 thousand for patent and trademark printing

  Variances to plan are due to two factors: favorable renegotiation of the data entry contract and a lag in preparing for printing late end-of-year issues.

- $108 thousand for miscellaneous balances

  These variances are accumulations of small unobligated balances scattered among various PTO programs.

- $2,829 thousand for SLUC

  The SLUC variance was calculated as follows:

— 1983 Congressional request........	$12,599
— House/Senate action...............	-2,000
— Net available.....................	10,599
— Actual billings...................	-7,770
— Variance..........................	2,829

The Congress directed GSA to restrict the level of annual increases for existing space to a stated percentage. The PTO had requested an inflationary increase of $4.5 million. The House reduced this increase by $2.0 million, an amount equivalent to the appropriated portion of the total increase request. Actual billings for FY 1983 were $7.7 million. Anticipated billings for space acquired in the latter half of the year did not materialize.

Fee Revenue:

In formulating the fee structure in 1981, PTO was bound by two principles:

- Fees were to recover stated percentages of costs: 50% of the costs for the Patent Process and 100% for the Trademark Process.

- Fees were to recover the stated percentages of costs for a three year period: FY 1983-1984.

Fees were therefore proposed to recover three years of costs, without regard to individual years. Program costs were planned to increase each year as the "18/87," "3/13," and automation programs progressed. But fees were set for three years and by law could not be increased each year to recover rising annual costs. The net result is as follows:

- 1983: Substantial fee surplus.
- 1984: Fee surplus, but less than 1983.
- 1985: Fee deficit in 1985 offset by the fee surpluses of 1983 and 1984.

Use of Funds in FY 1984

o $2,449 thousand for automation

Carryover balances will be distributed back to the automation activities in the same manner as they were derived:

— Workstations and User Services.... $930
- Automated patent system.
- Trademark search subsystem.
- Computer controlled microfilm search system.

— Text and Image Capture............ $210

- Data base capture for the conversion of patent documents to digital form.

— Data base proceesing.............. $500

- Automated patent system.
- Trademark search subsystem.

— Management services............... $509

- Contractor monitoring procedures, control, and reporting.
- Enhancement of the current Patent Application Location and Monitoring System (PALM 3) to interface with the automated system.

— Network and process control....... $300

- System engineering support to set up and install network and process control needs of the automated patent system.

o $517 thousand for Trademarks

Carryover balances reserved for trademark functions, will be utilized as follows:

— Additional CRTs and printers.........	$35
— Patent attorney and clerical overtime to meet 1984 production goals......	400
— Trademark Trial and Appeal Board.....	82

o $100 thousand for WIPO

The Commissioner has committed these funds to the World Intellectual Property Organization (WIPO) in Geneva for training examiners in developing nations.

o $140 thousand for Office of the Commissioner

An Office of Enrollment and Discipline will be established to maintain the patent attorney roster, to administer the patent attorney test, and to investigate complaints of patent attorney misconduct.

- $1,628 thousand for increased "18/87" costs

  Acquisition of additional space to meet requirements for examiners has resulted in the following actions:

  - Movement of administrative functions to "satellite" offices within the Crystal City area. Affected units were the Solicitor, the Boards, Personnel, Management and Organization, and Automation.

  - Move of nearly 80% of the Examining Corps, including file rooms of patents, beginning in March over a 2-3 week period. Considerable costs for moving contractor, essential renovations, and phone installations. Second phase of Corps moves to begin in summer.

  - Examiner reference files (principally file wrappers of issued patents) were consolidated into a nearby warehouse while trademark files were placed in a second warehouse. A third warehouse was designated for a central supply depot and a furniture rehabilitation repository was created to address new hire needs. In 1984, funds are required to upgrade warehouse services such as improvements in the timely response to examiner request for files; reorganization of file configuration to maximize available space and expand the file collection, establishing an automated supply inventory, shipment, and replenishment system.

- $1,150 thousand for data bases

  Commercial data base services (LEXIS, LEXPAT, CAS) will be purchased for Examiner Corps review of applications. Expansion of systems established in 1984 to prepare examiners for a totally automated system and to improve the quality of the examiner search.

- $449 thousand for FICA

  FICA costs for employees hired after January 1, 1984.

- $116 thousand for unanticipated costs

  Unanticipated increases for items such as Working Capital Fund, guard services, health services, and collapse of warehouse shelving.

Anticipated FY 1984 Carryover Balances

PTO does not anticipate any unobligated balances of program funds in FY 1984. There will be reserve fee balances in FY 1984 to be carried forward into FY 1985. In addition to the 1983 reserve fee balance of $3,655,000, actual fee collections in 1984 may exceed stated budget recoveries by income shortfall of $3,201,000. Fee income in excess of fee recoveries could total $4,877,000 for the 1983-1985 cycle if income based on user demand meets projections, if income based on PTO production meets projections, and if estimated appropriation requests (annual and supplemental) meet projections. Any excess fee income from the first cycle will be applied to the 1986-1988 cycle.

Bureau and Appropriation	Amount Available in FY 1984
National Bureau of Standards	
Scientific and Technical Research Services.......	$11,371

Source of Carryover

- $8,839 thousand

  These funds are for the purchase and installation of a Class VI Scientific Computer system. $6,500 of this was set aside in FY 1982 for the purchase of the computer itself. These funds were deferred in 1983. Plans are to obligate them upon Congressional approval of the FY 1985 budget request for a scientific computer. The balance of these funds are FY 1983 funds for the purchase of central computer hardware including off-line printing equipment ($295), data communications interfaces ($244), and site preparation ($1,800). They were in the procurement process at fiscal year's end and are to be obligated by the end of this fiscal year for their original purpose.

- $669 thousand

  These funds are for contracts for the development of local area network and domestic and international standards. They were in the procurement process at fiscal year's end and are to be obligated by the end of this fiscal year for their original purpose.

- $261 thousand

  These funds are for contracts for agency items, energy retrofits, and improvements and modifications of the NBS plant. They were in the procurement process at fiscal year's end and are to be obligated by the end of this fiscal year for their original purpose.

- $169 thousand

These funds are for several central planning contracts concerning the economic impact of measurements in high technology industries ($125), the diffusion of NBS research ($15), the cost of measurement to U.S. economy ($15), and technology and market projection studies ($14).

- $700 thousand

These funds constitute prior year deobligations. Contracts for the purchase of a mass spectrometer ($405) and the development of new ADP standards ($280) were terminated due to vendor's inability to execute original terms of contract. They are currently being renegotiated.

- $733 thousand

These funds constitute the sum of several small year-end balances in the following program areas:

Post-doctoral	$151
Fundamental physical measurements and standards	97
Automated manufacturing research facility	96
Mechanical engineering metrology	74
Radiation measurements and standards	55
Semiconductor research	50
Measurement technology transfer	35
Applied measurement	35
Building research	35
Fire research	30
Graduate education	30
Mathematical science	29
Signals and system metrology	16

They are being used to fund similar contracts and other procurements in their respective program areas.

Bureau and Appropriation	Amount Available in FY 1984
National Telecommunications and Information Administration	
Salaries and Expenses	$2,019

Source of Carryover

- $260 thousand for contracts

Contract specifications for four policy studies were not completed until late in the fiscal year, thereby delaying the procurement process past the end of the year.

o $532 thousand for unspent personnel costs

Because of unfilled vacancies, money budgeted for salaries and benefits carried over into FY 1984. NTIA proposes to use this money to absorb the cost of the pay increase ($139 thousand) and to provide additional support in preparing for international conferences ($393 thousand).

o $680 thousand for engineering studies

NTIA contracts for the Spectrum Optimization ($200 thousand) and the Spectrum Efficiency ($480 thousand) studies were subject to extensive negotiations with the Department's procurement office and could not be obligated before the end of the fiscal year.

o $335 thousand for equipment procurement

The acquisition of ADP and word processing equipment ($119 thousand) was delayed pending NTIA approval of equipment compatible with present office systems. A contract for computer rent and maintenance ($216 thousand) was postponed to coincide with a computer installation which did not occur until FY 1984.

o $212 thousand for international studies

NTIA start of technical studies supporting the 1985 World Administrative Radio Conference (Space) and the Integrated Services Digital Network (ISDN) was delayed until too late in FY 1983 for the money to be obligated.

QUESTION:

On page GA-28, the justification for the proposed increase for the Office of Inspector General states, "The proposed funding level will allow OIG to hire up to the levels already authorized by the President and the Congress." Authorized where? Provide a summary of current positions filled and vacant, as well as the actual permanent position level in FY 1985, assuming acceptance of the enhancement. If the request is not accepted, will any current staff in OIG be terminated?

ANSWER:

The FY 1984 appropriation for General Administration, as enacted (P.L. 98-166), provides for 208 positions and $9,723,000. This is essentially the same level of resources appropriated for FY 1980, the year the OIG was established. It has changed only for transfers and adjustments to base, except in FY 1982 when 12 positions were removed to reflect the proposed elimination of the Economic Development Administration (EDA).

As of February 29, 1984, the OIG had 211 permanent employees on board, three over the authorized level. Prior to FY 1984, the OIG was never able to fill more than 85% of these positions because of a number of problems. The problems have been resolved and the OIG is now at full staffing. In order to fund these positions in FY 1984, two major actions were necessary, both of which are one-time in nature. First, nearly all external audits of Commerce programs performed by contract with Independent Public Accountants have been deferred until FY 1985. Based on past experience, this will cost the Government $2.0 million in potential savings. Second, an interagency agreement has been entered into with EDA whereby they will finance a comprehensive review by the OIG of FY 1983 public works grants. Employees normally assigned to other areas have been redirected to this project.

Assuming acceptance of the enhancement, the actual level of employment will remain at 208. If the request is not accepted, up to 26 positions will be eliminated.

QUESTION:

Page GA-19 defines part of the responsibilities of the Director of Finance as "(ensuring) compliance with OMB circular A-76 requirements and principles..." How is this responsibility discharged? Are bureau proposals for private contracting as the result of an A-76 study subject to review and approval or disapproval by this office and/or by other Departmental offices?

ANSWER:

Director for Finance responsibilities for ensuring compliance with OMB Circular No. A-76 is discharged through developing DOC policy, procedures, and instructions; assisting components of DOC in the implementation of the Circular and DOC procedures; maintaining liaison with OMB; monitoring the progress of reviews, and managing the appeal process.

The Department reviews decisions to contract out as the result of an A-76 study only if the decisions are appealed.

QUESTION:

In the FY 1983 Annual Report of the Secretary of Commerce, page 24, it is stated, "The Department is proceeding with plans for an independent telecommunications network in the National Capital Region. Savings are expected to be $18 million during the ten-year life of the system." What are the elements of this plan? How would the savings be achieved?

ANSWER:

The main element of the plan for an independent telecommunications network in the National Capital Region (NCR), referred to in the FY 1983 Annual Report of the Secretary of Commerce (page 24), was to install new telephone switches at ten major locations in the NCR linked together through telecommunications lines. That plan has been modified, on the recommendations of Commerce staff in coordination with a private contractor and the Office of Management and Budget (OMB). The current plan calls for replacing only the switches at the Hoover Building and the NBS Campus in Gaithersburg, Maryland. Savings for these two locations are expected to be approximately $6.8 million over the system's ten-year life. Additionally, based on a traffic analysis/cost comparison, and in light of the General Services Administration's

(GSA's) plan for a NCR communications network (Washington Interagency Telecommunications Network - WITN), we have abandoned the network concept. For the remaining eight major Commerce locations in the NCR, GSA will continue to provide service. At those locations, we are encouraging service reviews and conversations with the GSA to reduce costs.

QUESTION:

Please describe the personnel organization of the Department. Provide a list of each of the constituent personnel offices showing their size and the number of employees they serve. For those units that do not meet the OMB standards, explain what actions the Department plans to take to bring them into conformance.

ANSWER:

The Departmental Office of Personnel is headed by the Director of Personnel and Civil Rights who reports to the Assistant Secretary for Administration. The Director has Department-wide staff responsibility for all matters relating to personnel management and administration.

The Department's system for personnel management is to formulate policies and programs at the Departmental level, delegate broad authority to constituent operating units to conduct personnel operations, and provide oversight for those personnel operations.

The Department has seven bureau-level personnel offices in the Washington, D.C. area; one consolidated personnel office servicing the Office of the Secretary and seven operating units; and one personnel office servicing the Foreign Commercial Service.

Outside of the Washington, D.C. area, there are four regional personnel offices, and one Census Bureau personnel office at Jeffersonville, Indiana.

The Department applies the OMB staffing ratio of 1:72 to those field personnel offices listed. In the case of a field personnel office not meeting the 1:72 ratio, the Department is taking one or more of the following actions:

- o reviewing and revising organizational structures;
- o reviewing vacancies as they occur, to insure optimum use;
- o reviewing program operations to assure best possible use of resources.

DEPARTMENT OF COMMERCE PERSONNEL OFFICES

HQ Personnel Offices	Personnel Office Size	Positions Serviced	Subject to 1/ OMB Ratio (1:72)
Bureau of Census	70.7	4,921	N/A
Economic Development Administration	10.8	271	N/A
International Trade Administration	33.6	1,457	N/A
National Bureau of Standards	46.0	2,860	N/A
National Oceanic and Atmospheric Administration	119.2	4,900	N/A
Office of the Inspector General	4.7	215	N/A
Patent and Trademark Office	54.0	3,168	N/A
Office of the Secretary-Operations, Office of the Secretary	49.8	2,891	N/A
Foreign Commercial Service	8.75	737	N/A
Regional Personnel Offices			
Central Administrative Support Center (CASC)	41.5	2,849	1:69
Eastern Administrative Support Center (EASC)	40.6	2,830	1:70
Mountain Administrative Support Center (MASC)	44.6	2,717	1:61
Western Administrative Support Center (WASC)	46.7	3,700	1:79
Census - Jefferson, IN Office	22.0	1,538	1:70

Note: Data as of September 30, 1983

1/ OMB ratios apply only to field offices, not to headquarters locations.

BUREAU OF THE CENSUS

QUESTION:

In FY 1984, the "Periodic censuses and programs" account brought forward over $27.5 million from FY 1983. Why was this amount so large and, specifically, how will these funds be obligated in FY 1984?

ANSWER:

Bureau and Appropriation	Amount Available in FY 1984
Economic Affairs: Bureau of the Census	
Periodic Censuses and Programs.........	$27,576

Source of Carryover

- $4,614 thousand for the Economic Censuses
- $5,305 thousand for the Census of Agriculture

The 1982 Economic Censuses and 1982 Census of Agriculture were collected and are being processed simultaneously for the first time. The Census Bureau developed and implemented a new automated processing system to process these censuses. Because of the uncertainties as to the individual annual cost during the six-year lifecyle of these censuses, the Census Bureau increased the budget for the early years and decreased it in the latter years in the census cycle. These budgeted funds will be obligated in FY 1984 consistent with initial planning for the 1982 censuses.

A Congressional add-on of $1.0 million for the National Transportation Survey added to the total carryover balance. Because the $600 thousand reprogramming for the Commodity Transportation Survey was approved late in the year, this money was carried over into FY 1984.

- $610 thousand for the Census of Governments

The Census Bureau developed a new general tabulation system for publication tables to take advantage of new computer processing capabilities. Because the new tabulation system required a revision to the computer programs, the startup of the processing schedule for publication tables was delayed until FY 1984.

- $1,464 thousand for the Intercensal Demographic Estimates

  In the 1983 Continuing Resolution, Congress added $2 million for improvement of population estimates. This money did not become available until the second quarter of FY 1983. For the Census Bureau to improve the estimates, research work first had to be carried out to develop the most appropriate methodology for developing such estimates. Because the money did not become available until the second quarter, the improvement research could not be accomplished in FY 1983. The remaining research and subsequent implementation of improvements will be carried out in FY 1984.

- $7,876 thousand for the Decennial Census

  Edit and tabulation problems in the data files delayed the professional review and clearance of the summary tape files, the analyses and preparation of statistical reports, and the completion of processing of the summary tape files. These processing delays caused production delays in the publication of derivative reports and completion of the Neighborhood Statistics program that use the summary tape files for producing special data tabulations for local areas. Additionally, work effort diverted to defending against the New York law suit delayed the evaluation and experimental studies. The funding carried over into FY 1984 will be used for evaluation and experimental studies, publication of derivative reports and completion of the Neighborhood Statistics program.

- $506 thousand for Geographic Support

  Because the 1983 Continuing Resolution was not enacted until the second quarter of FY 1983, the Census Bureau was delayed in the startup of new geographic support work.

- $7,201 thousand for Data Processing Systems

  Procurements were delayed for the disk subsystem ($1.4 million), the geographic support system ($.5 million), the Univac 1100/83 computer system upgrade ($1.8 million), the interactive publications services system ($.6 million), and several service and equipment lease-to-ownership contracts ($.9 million). These contracts will be obligated in FY 1984.

QUESTION:

The Bureau is requesting $300,000 and 9 positions relating to monitoring the new foreign trade commodity classfication system (CEN-34). To what extent will these same functions be performed by the International Trade Commission and the Office of the U.S. Trade Representative?

ANSWER:

The Bureau requests $300,000 and 9 positions largely for the purpose of fulfilling its responsibility to develop a draft conversion of the current export classification system, the Schedule B, to the format of the Harmonized System (HS). The Office of the U.S. Trade Representative (USTR) and the U.S. International Trade Commission (ITC) do not perform this function. After developing the draft conversion, the Bureau will distribute it to other Government agencies and the private sector for their review and comment. In developing the final version of the HS-based Schedule B, the Bureau will take those comments into account. In addition, the Bureau is an active participant in an interagency task force headed by the USTR, which is engaged in a review and revision of the draft HS-based import schedule developed by the ITC. The requested funds are necessary for the Bureau's stepped-up activity in connection with the development of the HS-based Schedule B and the review and implementation of both the new export and import classification systems.

QUESTION:

An additional $1.3 million and 28 positions is requested for enhancement of the international data base. Specifically, what Federal agencies have indicated a need for this information? What Federal agencies have indicated a willingness to support the effort on a reimbursable basis?

ANSWER:

Many Federal agencies have requested information from the international data base (IDB) (in addition to information they obtain from publications based on data in the IDB). During the past 2 years, we have answered ad hoc requests for information from the following Federal users:

Administration on Aging
Agency for International Development
Arms Control and Disarmament Agency
Army Chief of Staff for Intelligence
Bureau of Mines
Cabinet Council on Commerce and Trade
Center for Disease Control
Central Intelligence Agency
Congressional Research Service
Council on Environmental Quality
Defense Intelligence Agency
Defense Mapping Agency
Department of Agriculture
Department of Commerce

Department of Defense
Department of Energy
Department of Health and Human Services
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation, Federal Highway
Administration
Department of the Treasury
Federal Bureau of Investigation
Federal Judicial Center
Fort Belvoir
Government Accounting Office
GSA Information Center
House Foreign Affairs Committee
Immigration and Naturalization Service
Interagency Committee on Population Policy
International Communication Agency
International Trade Administration
Joint Economic Committee, U.S. Congress
Library of Congress
National Cancer Institute
National Center for Health Statistics
National Center for Educational Statistics
National Institute on Aging
National Institute for Child and Human Development
National Institute on Drug Abuse
National Science Foundation
National Security Council
Naval Operations Intelligence Center
Naval Research Laboratories
Oakridge National Laboratory
Office of Technology Assessment
Overseas Private Investment Corporation
Patent and Trademark Office
Quantico Marine Base
Radio Free Europe
Smithsonian Institution
Social Security Administration
United States Information Agency
U.S. Air Force
U.S. Air Force Intelligence, Soviet Studies
U.S. Army Corps of Engineers
U.S. Army War College
U.S. Attorney's Office
U.S. Equal Employment Opportunity Commission
U.S. International Trade Commission
Voice of America
White House

Several weeks ago, the Census Bureau notified other Federal agencies that the IDB may be accessed by an on-line basis. Already, four agencies have connected to the system (Overseas Private Investment Corporation, Department of State, National Center for Health Statistics, and Agency for International Development) and four others (Library of Congress, Congressional Research Service, Central Intelligence Agency, and the Department of Energy) are in the process of connecting to the system.

In addition, the International Trade Administration and the Overseas Private Investment Corporation have indicated a need to make the information on the "demographics" of foreign markets available to the private sector and are actively promoting the use of the International Data Base by the private sector for promoting U.S. exports.

Also, in addition to their own use of these data, Federal agencies frequently have their contractors contact the Census Bureau for the information.

Federal agencies which currently support and are expected to continue their reimbursable support for this effort are:

Agency for International Development
Central Intelligence Agency
Defense Intelligence Agency

These agencies and others, such as the Departments of State and Energy, have indicated a willingness to support this effort and will contribute over half of the total cost of the International Data Base.

QUESTION:

Of the $16,126,000 in enhancements for the decennial census, $1,894,000 and 19 positions is requested for the "promotion and outreach" line item (CEN-97). Were similar activities engaged in five years before the 1980 census? Why is it necessary for the Bureau to "foster relations with national, state, and local community leaders" now? Provide specific examples of the type of work that will be engaged in.

ANSWER:

Similar outreach activities were conducted in the fifth year prior to the 1980 census. These activities are necessary in 1985 so that the ideas and advice received from these sources can be integrated effectively into census planning efforts. The vast majority of important decisions on how the census will be conducted must be made prior to calendar year 1988. The solicitation of ideas and opinions, therefore, must occur in the middle part of the decade so that appropriate testing, evaluation, and planning can be conducted prior to final decisions.

Our proposed outreach and promotion efforts in FY 1985 are necessary to ensure the cooperation of the public during the 1990 census. They involve three types of activities. During FY 1985, we plan to solicit the views and active involvement of a number of outside organizations and people. Approximately 60 local public meetings are planned for FY 1984 and FY 1985; they are sponsored and organized at the local level in each state and serve as an open forum for two-way communication between the Bureau and interested members of the public, primarily current data users. These meetings provide a channel of communication that enables us to solicit recommendations for 1990 census user needs such as data content, geographic requirements, and data products. Through local community outreach efforts conducted by field staff, regular contacts with various national organizations, and regular meetings of formal census advisory committees, we intend to receive advice about the 1990 census early enough so that it can be integrated effectively into our planning efforts. We also plan to develop new ways to encourage the cooperation of local community service organizations. The third type of activity funded under this headings is research and development work on various promotion ideas and public attitudes toward the census. Research in FY 1985 should yield possible improvements in outreach and promotion techniques in time to test them in the 1986 and 1987 pretests before incorporating them into the 1988 dress rehearsal and 1990 census plan.

QUESTION:

The Bureau is requesting $7,919,000 and an additional 228 positions for geographic support. What was the original request of the Bureau to Commerce for this line item, and of Commerce to OMB?

ANSWER:

The original requests to Commerce and to OMB for geographic support were essentially the same. There were some minor cost adjustments between the budget submissions.

ECONOMIC AND STATISTICAL ANALYSIS

QUESTION:

Provide a breakdown of the use of $1 million enhancement provided by the Congress for FY 1984.

ANSWER:

The FY 1984 budget provided $1 million to initiate an annual survey of U.S. direct investment abroad, with emphasis on services data, and to conduct surveys to improve coverage of U.S. international service transactions with unaffiliated foreign entities.

The annual survey of U.S. direct investment abroad will obtain information on services that are provided by foreign affiliates of U.S. corporations. About three-fourths of the services provided by U.S. business to foreigners are provided through their foreign affiliates. The first survey will cover 1983. If OMB approval can be obtained by June, the forms will be mailed in July. If approval takes longer, the survey for 1983 will be combined with that for 1984 with the forms mailed in early 1985.

The remainder of services provided by U.S. business to foreigners are provided directly rather than through affiliates. A survey of these activities will take somewhat longer to initiate since, when the funds were received, the design work was not as far along as that for the affiliates. Forms for the first survey, which will cover 1984, are expected to be mailed in June 1985.

QUESTION:

ESA proposes to absorb its need of $543,000 for the FY 1984 pay raise. Where will this absorption occur?

ANSWER:

This absorption of $543,000 will occur through a 50% lapse on the international services work that was added to the FY 1984 budget. This occurs because Congress approved the add-on early in FY 1984 and, because of the lengthy planning for this work, including the OMB forms approval paperwork review processes, all of the money could not be obligated in FY 1984.

QUESTION:

Earlier this year, the Committee specifically denied a reprogramming request to merge the Office of Strategic Resources with a program in ITA. Does the FY 1985 ESA request assume transfer of this office to ITA? What funds would be necessary in the ESA appropriation to restore the office as a separate entity?

ANSWER:

Yes, the FY 1985 ESA request assumes transfer of the Office of Strategic Resources to ITA because the Congressional Submission must agree with the President's budget which assumed the transfer. However, the actual transfer has not been made and won't be until all Congressional concerns are addressed. If the Congress does not concur in the transfer, $317,000 will have to be added to the FY 1985 ESA appropriation to fund this Office as it now exists, and a like amount would have to be reduced from the FY 1985 ITA appropriation.

QUESTION:

The Department is again requesting funds for economic forecasting. However, the request is $155,000 less than last year's proposal which was denied by the Congress. Has there been a reevaluation of the need for the enhancement?

ANSWER:

No, not a reevaluation for the overall need, but a redefining of the level of outside computer support required for this program. As a result of this redefinition, the other services object class was reduced by $155,000.

QUESTION:

The Department is again requesting $5 million for establishment of a technical information clearinghouse fund. Are these funds included in the OMB estimate of the budget request of the Department of Commerce? If not, why not?

ANSWER:

Yes, the $5 million is included in the Department's total budget request and in the President's Budget Appendix. An authorization bill for this fund is pending before the Congress.

ECONOMIC DEVELOPMENT ADMINISTRATION

QUESTION:

Of those projects funded under the FY 1983 Jobs Bill, how many have begun as scheduled? How many have been or will be delayed?

ANSWER:

Of the 211 projects approved, 114 are under construction as scheduled. Forty (40) projects have been delayed.

QUESTION:

Committee staff has been informed that in many cases the EDA regional offices have not been notified in a timely manner -- or not at all -- when projects have been approved in their regions.

ANSWER:

All announcements of EDA project approvals are made by the Department of Commerce. EDA then notifies the appropriate program official. This procedure is similar to those followed in previous years.

QUESTION:

What was the unobligated balance available in the Economic Development Revolving Fund at the end of FY 1983? What are the projected balances for the ends of FY 1984 and FY 1985?

ANSWER:

At the end of FY 1983, the unobligated balance available in the revolving fund was $189,342,000. For the ends of FY 1984 and FY 1985, we are projecting balances of $176,689,000 and $171,607,000, respectively.

INTERNATIONAL TRADE ADMINISTRATION

QUESTION:

ITA reported unobligated balances of $10,567,000 and $8,323,000, respectively, in FY 1982 and FY 1983. However, the OMB Budget Appendix reported figures of $9,562,000 and $15,014,000 for those same years. Why is there a discrepancy?

ANSWER:

FY 1982: The FY 1984 budget appendix shows $9,622,000 as ITA's FY 1982 unobligated balance. ITA's reprogramming notification for FY 1982 unobligated balances showed a balance of $10,567,000. The difference between the two numbers, $945,000, reflected anticipated personnel savings expected during FY 1983 and were not FY 1982 carryover amounts.

FY 1983: The FY 1985 budget appendix shows an FY 1983 unobligated balance of $15,104,000. This total includes $6,781,000 in what was formerly designated as ITA's trust fund account but has now been combined into ITA's reimbursable program and added to ITA's total availability. ITA's total unobligated balance for direct appropriations is $8,323,000 as reported.

QUESTION:

How many vacancies were there in the U.S. and Foreign Commercial Service at the end of FY 1982? At the end of FY 1983? What is the current vacancy rate?

ANSWER:

In FY 1982 the USFCS had 91 FTP vacancies of which 22 FTE were consumed by other-than-permanent employees; reflecting real vacancies of 69 FTE.

In FY 1983 the USFCS had 85 FTP vacancies of which 45 FTE were consumed by other-than-permanent employees; reflecting real vacancies of 40 FTE.

The currency vacancy rate (as of 3/84) is 4 percent or 50 FTE. It is expected that the USFCS will be fully staffed by the end of the FY 1984 summer assignment cycle.

QUESTION:

Please provide a list of current and proposed FCS posts for FY 1984 and FY 1985, and their respective staffing levels.

FY 1984 FCS Staffing by Post

	AMERICANS	FSNs
ALGERIA		
Algiers	2	3
ARGENTINA		
Buenos Aires	2	7
AUSTRALIA		
Brisbane	0	1
Canberra	1	0
Melbourne	1	4
Perth	1	1
Sydney	3	7
AUSTRIA		
Vienna	3	6
BELGIUM		
Antwerp	0	1
Brussels	3	8
BOLIVIA		
La Paz	0	2
BRAZIL		
Brasilia	2	3
Rio De Janeiro	1	6
Porto Alegre	0	1
Salvador	0	1
Sao Paulo	3	10
CAMEROON		
Douala	1	2
Yaounde	1	1
CANADA		
Calgary	1	1
Montreal	1	2
Ottawa	2	2
Toronto	1	2
Vancouver	1	1
CHILE		
Santiago	2	3
CHINA		
Beijing	5	0
Guangzhou	1	0
Shanghai	1	0
COLOMBIA		
Bogota	2	8
Cali	0	1
COSTA RICA		
San Jose	1	3
CZECHOSLOVAKIA		
Prague	1	2
DENMARK		
Copenhagen	1	4
DOMINICAN REPUBLIC		
Santo Domingo	1	4
ECUADOR		
Guayaquil	1	3
Quito	1	4
EGYPT		
Alexandria	1	2
Cairo	2	8

	AMERICANS	FSNs
FINLAND		
Helsinki	1	3
FRANCE		
Bordeaux	0	1
Lyon	0	1
Marseille	0	1
Nice	0	1
Paris	9	21
Strasbourg	0	1
GERMANY		
Berlin	0	2
Bonn	6	12
Dusseldorf	2	9
Frankfurt	1	6
Hamburg	2	5
Munich	1	4
Stuttgart	2	5
GHANA		
Accra	0	1
GREECE		
Athens	4	9
Thessaloniki	0	1
GUATEMALA		
Guatemala City	1	3
HONDURAS		
Tegucigalpa	1	3
HONG KONG		
Hong Kong	5	8
HUNGARY		
Budapest	1	1
INDIA		
Bombay	1	5
Calcutta	0	3
Madras	0	2
New Delhi	3	6
INDONESIA		
Jakarta	4	5
Surabaya	1	0
IRAQ		
Baghdad	1	2
ISRAEL		
Tel Aviv	1	6
ITALY		
Florence	0	2
Genoa	0	1
Milan	4	8
Naples	0	2
Palermo	0	2
Rome	3	9
IVORY COAST		
Abidjan	1	3
JAPAN		
Fukuoka	0	1
Osaka-Kobe	2	4
Sapporo	0	1
Tokyo	9	26

	AMERICANS	FSNs
KENYA		
Nairobi	1	3
KOREA		
Seoul	6	7
KUWAIT		
Kuwait	1	3
LIBERIA		
Monrovia	0	2
MALAYSIA		
Kuala Lumpur	2	4
MEXICO		
Guadalajara	1	1
Mexico City	8	12
Monterrey	1	2
MOROCCO		
Casablanca	1	2
Rabat	0	1
NETHERLANDS		
Amsterdam	1	4
Rotterdam	0	3
The Hague	3	7
NEW ZEALAND		
Auckland	0	2
Wellington	1	2
NIGERIA		
Kaduna	1	2
Lagos	6	6
NORWAY		
Oslo	1	3
PAKISTAN		
Lahore	0	2
Karachi	1	4
PANAMA		
Panama City	1	3
PERU		
Lima	2	4
PHILIPPINES		
Manila	4	5
POLAND		
Warsaw	1	2
PORTUGAL		
Lisbon	1	4
Oporto	0	1
ROMANIA		
Bucharest	1	2
SAUDI ARABIA		
Dhahran	1	4
Jidda	6	8
Riyadh	3	5
SINGAPORE		
Singapore City	4	5
SOUTH AFRICA		
Johannesburg	2	5
SPAIN		
Barcelona	1	3
Madrid	2	6

	AMERICANS	FSNs
SWEDEN		
Stockholm	1	6
SWITZERLAND		
Bern	2	4
Zurich	0	1
THAILAND		
Bangkok	2	9
TURKEY		
Ankara	1	3
Istanbul	1	3
UNITED ARAB EMIRATES		
Abu Dhabi	1	3
Dubai	1	2
UNITED KINGDOM		
London	4	18
USSR		
Moscow	3	0
URUGUAY		
Montevideo	0	2
VENEZUELA		
Caracas	5	10
YUGOSLAVIA		
Belgrade	1	4
Zagreb	0	2
ZAIRE		
Kinshasa	0	1
ZIMBABWE		
Harare	1	2
TOTAL	203	499

The FY 1985 proposed FCS staffing is expected to remain the same except that 1 American position will be established in Kingston, Jamaica, and 2 American positions will be added in Tokyo (for a total of 11). American staffing in Mexico City will be reduced by 1 (to a total of 7) and reduced by 2 in Manila (to a total of 2). Also, 3 additional American positions will be added to the staffing in China. The posts from which these 3 American positions will be obtained are yet to be determined.

QUESTION:

How many vacancies did ITA have at the end of FY 1983?

ANSWER:

At the end of FY 1983, ITA had 131 vacant full-time positions. These were primarily in the U.S. and Foreign Commercial Service and Export Control program areas, and are discussed above.

QUESTION:

In FY 1983, the Congress provided $3 million for participation in a Trade Fair in Beijing, China. As the fair was cancelled, why didn't the Department propose a rescission of these funds, or use them to offset FY 1984 pay supplemental needs?

ANSWER:

These funds were identified in ITA's reprogramming notification and were requested to fund ITA's expanding export control programs. Since program requirements exceeded all available unused funds, neither Beijing Trade Fair nor other carryover was proposed for rescission.

QUESTION:

ITA is requesting an additional $2,122,000 and 45 positions for sectoral analysis. Which sectoral divisions will receive these positions? What will be the staffing levels for each sectoral division?

ANSWER:

The increase of 45 positions for sectoral analysis is part of a total increase of 63 positions which will be distributed as follows:

FY 1985 Sector	FY 1985 Increase	Total Positions
Aerospace	+4	24
Automotive Affairs and Consumer Goods	+5	48
Basic Industries	+10	70
Capital Goods and International Construction	+7	74
Science and Electronics	+7	49
Services and Export Trading Companies	+4	55
Textiles and Apparel	+6	49
Trade Information and Analysis	+20	151
Management and Policy Coordination	---	26
TOTAL	+63	546

QUESTION:

In the 1984 budget justification, the Department requested $615,000 and 4 positions for automotive policy support and stated that the "program is scheduled to be terminated at the end of FY 1984." Are the functions of the program transferred to ITA as a part of the realignment approved earlier this year? Do the 1985 appropriation requests for ITA or ESA reflect a decrease due to the termination of this program?

ANSWER:

The functions of the Office of Automotive Industry Affairs were transferred to ITA as part of the realignment. The Office of Automotive Industry Affairs has become part of the Deputy Assistant Secretary for Automotive and Consumer Goods. This Office is now a permanent sectoral analysis group in ITA. Therefore, the 1985 appropriation request for ITA does not contemplate termination of this program.

QUESTION:

On page ITA-31/32, $1,110,000 is requested for "Other Services" under the sectoral analysis request. What are these services, and is this a nonrecurring request? If so, will the FY 1986 adjustments to base reflect this?

ANSWER:

The $1,110,000 for Other Services will provide the following:

- ADP Services ($450,000)--To provide computerized analytic capability by providing access to private and public data base information for use in analyses, consultations, etc. and to augment hardware, software and system support.
- Contracts for Data Acquisition ($400,000)--To provide ongoing data and information used in industry sector analyses and competitive assessments, and for research and analysis on foreign industries and international economic issues.
- Studies and Reports ($250,000)--To allow for ongoing contracted studies with the private sector for industry sector analyses and competitive assessments.
- Security Investigations ($10,000)--To cover the cost of security investigations for new employees.

None of these requirements are non-recurring.

QUESTION:

ITA is requesting an additional 74 positions and $3,587,000 for export enforcement. Since the Customs Service also is involved in the enforcement of the Export Administration Act (EAA), what is the rationale for two Federal agencies having the authority to investigate export control violations?

ANSWER:

Both Commerce and Customs bring unique advantages and strengths to enforcement of the EAA. Commerce has the technical expertise and the administrative sanctions to enforce the EAA efficiently and well. Commerce's relationship with the business community results in good cooperation from the private sector and numerous valuable leads. Moreover, since Commerce also administers the export license function, Commerce enforcement agents can use the valuable licensing data base in a timely manner and to its fullest extent. Finally, Commerce agents have particular strategic export enforcement expertise because export enforcement is all they do; they enforce no other law, so they have no conflicting priorities.

The Secretary of Commerce has historically delegated authority to the U.S. Customs Service to help in export enforcement because of their physical location at U.S. borders and ports of exit. Through Operation Exodus, Customs has helped constrict diversion routes and heightened public awareness of the EAA. Finally, it is the Administration's position to have all pertinent agencies cooperate in effectuating a strong U.S. enforcement program.

QUESTION:

What is the impact on the development of intelligence data on potential export violations when there are two federal agencies independently conducting investigations under the EAA?

ANSWER:

Intelligence data from the intelligence community is shared between the two agencies, as well as among other pertinent agencies. Each agency also develops its own intelligence information from other sources such as tips from the business community and informants. Commerce and Customs tend to have contacts with different parts of the exporting community. Consequently, their intelligence efforts complement one another.

It should be pointed out that the two agencies are not "independently" carrying out investigations. The agencies have exchanged lists of cases and are coordinating their efforts. They do not both work on all cases, but each knows what the other is doing.

QUESTION:

Commerce and Customs have signed a Memorandum of Understanding (MOU) concerning overseas enforcement of the EAA. It appears to be little more than an agreement to coordinate liaison contacts with foreign agencies. What results do you expect from this agreement? Have copies of the MOU, together with a list of appropriate Customs and Commerce overseas offices, been sent to American embassies? If not, why not?

ANSWER:

In order to coordinate our respective export enforcement activities overseas, the MOU between Commerce and Customs focuses on the overseas phases of export control investigations and contacts with foreign export control enforcement agencies. Because the MOU reduces the likelihood of a jurisdictional misunderstanding in handling the overseas phases of export control investigations, we expect it to eliminate the major potential obstacles to closer coordination and cooperation between the two agencies in all export enforcement matters. A Commerce/Customs working group has been meeting regularly since the signing of the MOU and has agreed upon many of the details for implementing the agreement.

As part of the process to implement the MOU, a joint cable was transmitted on March 7 to all U.S. diplomatic posts providing notification that an MOU had been reached between Commerce and Customs. The cable included the complete text of the MOU and provided guidance on how it would work in a practical manner overseas.

QUESTION:

What is your assessment as to concerns that other countries may have with two American agencies conducting independent investigations of EAA violations within the same country?

ANSWER:

Some countries, like the United States, have more than one agency involved in law enforcement, so that has not been the problem. Rather, what other countries expect is that the U.S. coordinate with them since no U.S. agency may conduct investigations on foreign soil without the host government's permission. The recently concluded Commerce/Customs MOU addresses this problem by spelling out the Commerce/Customs liaison role with respect to each country.

QUESTION:

What part will Foreign Commercial Service officers play in investigations of possible EAA violations? Is this consistent with their roles as facilitators and promoters of trade?

ANSWER:

Foreign Commercial Service officers do not conduct investigations under the EAA. They do, however, at the Office of Export Enforcement's request, conduct commercial inquiries in the form of pre-license and post-shipment checks. These inquiries are very important in the overall export control program. There is nothing inconsistent with this role and the FCS's role as promoters of trade since the FCS work facilitates the processing of license applications and allows legitimate trade to proceed unimpeded.

QUESTION:

Do investigators in the Office of Export Enforcement have formal law enforcement status? If not, does this inhibit their work?

ANSWER:

Office of Export Enforcement criminal investigators do not have police powers of arrest, search, and bearing of weapons. These powers are vital to their work. To date they have managed to do their work without these necessary authorities by requesting the assistance of agencies which have police powers such as the U.S. Marshal's office. Police powers for OEE agents would clearly enable them to carry out their functions more efficiently, effectively, and with greater personal safety.

QUESTION:

On page ITA-55, 8 additional "export cargo inspectors" are requested. How do these differ from Customs inspectors? Does ITA currently have such inspectors, and if so, how many are there and what are the costs associated with their positions?

ANSWER:

OEE normally has five cargo inspectors, with an aggregate salary of approximately $111,000/year. As of December 1983, however, we have had only three cargo inspectors. Our inspectors differ from Customs inspectors in that they have greater experience and expertise in detecting dual-use exports which require a validated export license. OEE's seizure-to-detention ratios of dual-use exports have been consistently higher than Customs figures (the figures used by Customs include their seizure and/or detention of munitions items which are controlled separately under the Arms Export Control Act), proving our agents expertise in enforcing the EAA.

QUESTION:

On Page ITA-59, there is a discussion of Export Promotion Services and overseas Export Development Offices (EDOs). Where are these offices, and how do they coordinate with the Foreign Commercial Service? How do the objectives of Export Promotion Services differ from the FCS?

ANSWER:

The Department of Commerce has Export Development Offices (EDOs) in the following overseas locations:

Bonn [1]
Milan [2]
Vienna
Tokyo [2, 3]
Singapore
Sydney [2]
Sao Paulo [2]
Mexico City [2]

We also have two EDOs based in the U.S. which manage overseas event activity: a Washington-based Regional EDO for the Mid-East and Africa (REDO/MEA) and a Miami-based EDO that covers the Caribbean islands and the Andean countries of South America.

The REDO/EDO staff work closely with US&FCS and State Department commercial personnel in the embassies and consulates within their respective jurisdictions. The nature of these relationships varies considerably from area-to-area and event-to-event, but in every case represents a partnership between the REDO/EDO whose sole purpose is to execute the trade event plan, e.g., fairs and missions, and the senior commercial officer whose duties comprise a much more varied list.

The objective of Export Promotion Services (EPS) is the same as for the rest of US&FCS: encourage an expansion of exports by the U.S. business community, especially by small and medium-sized businesses. Any difference is in the means employed. EPS designs, produces and markets products and services that are sold to American exporters, e.g., market research, export statistics and trade fair participations. The basic counseling and business support services of the US&FCS offices around the country and the world are furnished without charge to the business client.

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[1] Exercises regional oversight for the European trade event program.

[2] EDO has an exhibit facility.

[3] Exercises regional oversight for the Asia-Pacific trade event program.

MINORITY BUSINESS DEVELOPMENT AGENCY

QUESTION:

In November of 1983, the Inspector General issued a report that was highly critical of the Technology Commercialization Program. In particular, the report concluded that the "TCP National Office has seriously mismanaged the Technology Commercialization Program." What, specifically, has MBDA done to implement the five recommendations listed on page 22 of the report?

ANSWER:

Recommendation #1 "terminate the Technology Commercialization Program as an individually identifiable program effort"

In FY 1983, twelve TCC's were operational throughout the country as separate individually identifiable program efforts. These projects will not be renewed when they expire during the summer of FY 1984. During FY 1984, the technology commercialization program (TCP) is being merged into the Minority Business Development Center Program (MBDC) delivery system to reduce operational costs and duplication of effort.

Recommendation #2 "develop and clearly define measurable goals and objectives to be achieved in the area of technology commercialization"

During FY 1984, each MBDC with TCP functions will be evaluated in terms of its success in meeting measurable objectives, including the number of products under active development and actually commercialized. The centers will also be evaluated in terms of levels of venture capital, equity financing and procurements secured for new products.

Recommendation #3 "rigorously evaluate program objectives and procedures intended to successfully commercialize new products and services"

The program is now being monitored through regional offices to insure more constant and rigorous program monitoring and evaluation of the amount and value of commercialized products and services. The headquarters program office will, likewise, evaluate the program for goal and procedural achievements.

Recommendation #4 "develop and document detailed management directives for future technology commercialization activities, including adequate procedures for monitoring and control of activities"

An MBDA Project Monitoring and Evaluation Handbook was developed to establish a uniform method to monitor the performance of MBDA's award recipients. This includes those awards which have TCP functions.

Recommendation #5 "implement technology commercialization activities through MBDA's Business Development Center program to more effectively and efficiently accomplish the tasks necessary to commercialization of new product services"

Based on good performance of selected MBDC's and on geographic proximity to areas of high technological activity, seven MBDC firms and two university laboratories were chosen to perform the TCP functions. They are located as follows:

o MBDC's - Boston, Pittsburgh, Atlanta, Cleveland, San Jose, Albuquerque and Ponce, Puerto Rico.

o Laboratories - The two university laboratories will continue to perform technical evaluations, prototype development services, etc. They are the Georgia Institute of Technology in Atlanta and the Illinois Institute of Technology Research Institute in Chicago.

QUESTION:

Has the person (or persons) involved in directing the TCP National Office during FY 1983 been relieved? Is he or she still employed by MBDA?

ANSWER:

The person who planned, designed, and directed the technology commercialization program is no longer employed by MBDA.

QUESTION:

The TCP is funded at a level of $1,363,000 in FY 1984, yet the savings assumed in FY 1985 from restructuring the program are stated as $879,000. Where is the difference being applied?

ANSWER:

The FY 1984 budget was prepared prior to the decision to restructure the program. Funds will be used to provide additional support to the seven MBDC's that will assume TCP functions. MBDA will continue to provide funding to university laboratories at Georgia Tech and the Illinois Institute of Technology Research Institute.

QUESTION:

Are any of the centers listed in Appendix 2 of the report currently receiving MBDA or other Commerce Department funds? When the TCP is restructured, will any of these centers receive MBDA or other Commerce Department funds?

ANSWER:

None of the centers listed in Appendix 2 are receiving MBDA funds, nor will they after restructuring the TCP program.

QUESTION:

On page MBDA-16, in discussing Resource Development programs, there is the following statement: "Federal and state and local programs seek to reduce regulatory and administrative barriers to business growth by awareness of, cooperation with, and procurements to minority business enterprises..." What does this mean?

ANSWER:

MBDA coordinates Federal, State and local programs. Coordination is conducted through three MBDA activities:

- o Cabinet Council on Commerce and Trade, Interagency Working Groups on Minority Business (IWG)
- o Minority Business Opportunity Committees (MBOC)
- o State and local minority business development agencies

The IWG and MBOCs are designed to foster coordination of Federal agency national programs at the local level. To accomplish their objective, IWG and MBOCs review government minority business programs, assists in the establishment of procurement, capital, management and technical assistance goals for minority business, and monitor program results.

MBDA also funds State and local government offices designed to act as advocates for minority business at those levels. State and local funded organizations seek to accomplish their objectives by;

- o establishing procurement and purchasing contracts;
- o disseminating bid opportunity information;
- o monitoring program results;
- o developing and expanding financial deposit programs for minority banks;
- o developing and expanding minority loan funds; and,
- o conducting training and orientations for minority business on procurement practices at the State level.

QUESTION:

The private sector subactivity is, in part, involved in procurement activities and the identification of venture capital sources. How do these activities differ from SBA's 8(a) procurement program and the Minority Enterprise Small Business Investment Company program?

ANSWER:

Identification of venture capital sources is strictly a private sector activity. There is no comparison to the 8(a) program which is a sub-contracting activity involving SBA and minority vendors.

The MESBIC program is utilized as one of many sources of venture capital. MESBIC funds consist of private capital leveraged by funds provided by SBA. Private sector procurement (contracting) activities do not compare with 8(a) because, for the most part, private contracting is not affected by set-a-side regulations.

UNITED STATES TRAVEL AND TOURISM ADMINISTRATION REGIONAL OFFICES OVERSEAS

QUESTION:

If the Congress directed USTTA to add two additional regional offices overseas, where would the agency open them?

ANSWER:

At present, USTTA maintains regional offices in the six nations that, collectively, account for 80 percent of all foreign travelers who visit the United States and account for 66 percent of U.S. international tourism receipts. In terms of tourism expenditures worldwide, these nations are the top-ranking markets. The Federal Republic of Germany--that accounted for about $14.7 billion in world tourist spending in 1982--ranks first; the United Kingdom is third; France is fourth; Mexico is fifth; Japan is sixth; and Canada is seventh. (The United States ranks second.) It would probably be more cost-effective to attempt a greater penetration of the existing markets than to open offices in additional markets.

PATENT AND TRADEMARK OFFICE

QUESTION:

The 1985 budget request proposes a sizable increase of 150 positions to continue progress toward a major PTO objective -- to reduce patent pendency to 18 months by 1987. This provides for hiring 215 new examiners in 1985 in addition to 660 new examiners hired since 1982. It takes approximately 4 to 5 years for a new patent examiner to reach journeyman level productivity. In view of this, how do you plan to achieve a significant increase in production to reduce patent pendency?

ANSWER:

It is true that it takes approximately four to five years for the average new examiner to reach full journeyman level. The greatest growth in productivity, however, is in the first and second full years of employment. 1985 will be the third year of employment for those hired in 1982, the second year for the 1983 hires and the first full year for the 1984 hires. Our simulation model, on which the budget is based, takes into account the learning curves for each group of new hires. We are confident in our ability to deliver the level of output reflected in this request.

Our current estimates of "Production Units", a measure of output equal to the average of first actions and final disposals are:

	1983 Actual	1984 Plan	1985 Plan	1986 Plan	1987 Plan
Production Units	106,470	116,450	121,251	137,168	140,180

These levels of effort will assure the achievement of the goals set in plan "18/87".

QUESTION:

You estimate that from 1982 through 1984 patent pendency will have increased from 24.2 months to 25.3 months. For 1985, you estimate a reduction to 24 months, or less than 1 percent improvement. How do you expect to reverse this trend and make such a large improvement in the next 2 years?

ANSWER:

The cumulative impact of production increases for new hires from 1982 through 1985 will result in 18 months pendency by 1987. The moderate 1983 increase and initial slow decline in pendency is a result of controlled growth in the examiner corps after a period when resources did not keep pace with the influx of cases. Considerable resources were required to keep pendency from increasing significantly more from 1982 to 1985. These factors account for the gradual but accelerating increase in our momentum. Pendency, as of February 4, 1984 has already dropped from 25.5 months at the end of 1983 to 24.9 months.

As new examiners become more proficient and the examining corps grows in size, the rate of decline in pendency will accelerate. The improvement in pendency for 1986 and 1987 will result directly from all the new growth through 1985. After 1985, total corps staffing will actually begin a controlled decline (through attritions) to a level geared to produce output equal to planned annual applications.

QUESTION:

You indicate that you will meet your goal of trademark pendency to disposal to 13 months in 1985. This will require almost a 33 percent reduction from this year's estimate of 19.4 months. Since 1982 there has only been a reduction of 8.9 percent. In view of the slow progress over the last three years and the fact that you are requesting no increases in trademark examiners, how will you meet your goal?

ANSWER:

Assuming the projected level of increase in receipts, no additional attorney-examiners are required in 1985 because professional staff increases through 1983 will be sufficient to achieve the 1985 goal of 3 months pendency to first action. The productivity of new hires will continue to improve over five years as they gain experience. While there is a substantial turnover in attorney-examiner personnel during the first five years after hiring, our projections allow for this factor. The cumulative impact on pendency of increasing productivity for new hires in 1981, 1982 and 1983 will be evident in 1984. The reasons for this lag are both a learning curve for new hires as they gain expertise in their profession and the effort required to process the September 1982 "dump" of extra filings to avoid fee increases. With the requested level of staff and overtime we will meet all projected first action goals.

The following summarizes our performance expectations through the Budget year:

	1983 Actual	1984 Estimate	1985 Estimate
First Actions	68,989	76,000	74,700
Disposals	67,550	78,100	88,200
Total Ending Inventory	118,878	101,578	78,378
Months to First Action	8.3	5.3	3.0
Months to Registration or Abandonment	20.3	19.4	13.0

NATIONAL BUREAU OF STANDARDS

QUESTION:

On page NBS-17, there is a list of four Strategic Planning Objectives; are these consistent with the budget request?

ANSWER:

The four Strategic Planning Objectives, appearing on page NBS-17 are:

- Develop by 1989 a new field standard for frequency control and timekeeping and a new primary frequency standard,
- Establish by 1990 a national support system for ionizing-radiation measurements that will ensure the required field-level accuracy in six areas,
- Provide five new clinical SRMs and measurement methods by 1986, and
- Provide by 1988 key data measurement methods, and scientific concepts in support of industrial applications of biotechnology.

These objectives are consistent with the base program for the subactivity Measurement Research and Standards. They will be accomplished using resources allocated to the Fundamental Physical Measurements and Standards, Radiation Measurements and Standards, and Analytical Chemical Measurements and Standards programs.

QUESTION:

NBS is requesting an additional $2.5M and 20 positions to expand a program of measurements for process and quality control. What are the elements of this enhancement and why is it needed?

ANSWER:

The five principle elements of this enhancement and the reasons why they are as follows:

- Radiation Therapy and Protection - to reduce the industry's range of uncertainty with respect to radiation dose treatment from the potentially harmful 5% to a desirable 1%,
- Vacuum and Leak Rate Standards - in support of the impurities- and pressure-sensitive industries (the semiconductor, space vehicle, and nuclear waste industries, for example),
- Spectroradiometry - to develop calibration measurements and standards for the light instruments and sensors (infrared) industry,
- Electrical Independence - for use in those industries at the cutting-edge of electrical technology including the precision measurement, electrical power, and automotive industries, and
- Electronic Noise Measurements - to support the communications, aerospace, and defense industries which are increasingly subjected to high-performance electronic systems-degrading "noise."

QUESTION:

What are the practical benefits of a cold neutron source reactor facility?

ANSWER:

The cold neutron source that is to be installed in the NBS research reactor will provide American industry with a measurement technology not currently available in the U.S. This new capability will provide a major increase in our ability to determine the microstructural properties of materials that impact on product processing, performance, and lifetime. This will be of direct benefit to U.S. producers and consumers in addressing a broad range of materials problems.

For instance, the cold neutron source will make possible multidimensional nondestructive measurements of the distribution of near-surface dopants and impurities in semiconductor materials needed to improve the efficiency and reliability of electronic devices through better process control.

In addition, there is the cold neutron source's potential contribution to new high-temperature ceramics. The strength and properties of new types of high-temperature ceramics are severely affected by voids and cracks that may develop during processing. The development of voids and the growth of minute cracks can be studied to provide information needed to minimize these effects.

The study of polymer blends also offers great promise in the area of new plastics development. The blends development and processing would be greatly aided by the measurements of their molecular configuration that would be possible using the advanced instruments made possible by the proposed cold neutron source.

What's more, new measurement methods will make possible the investigation of the key microstructure and magnetic properties of new, rapidly solidified alloys that are being developed for many applications such as advanced aircraft turbines and permanent magnets.

Finally, the emerging biotechnology industry needs measurements of the structure and dynamics of newly-engineered biomolecules in their natural environments in order to understand the mechanisms of biological activity. Much of this information can only be obtained by the facilities proposed by NBS.

QUESTION:

What adjustments to base would have been needed in FY 1983 and FY 1984 had the Department requested base funding for the Centers for Building Technology and Fire Research?

ANSWER:

The Department requested base funding for the Center for Building Technology and the Center for Fire Research in FY 1983 and thus adjustments to base were requested in that year. The adjustments to base for FY 1984 and FY 1985 - the two years in which funding for the two Centers was not requested - would be as follows:

	Center for Building Research			Center for Fire Research			Total		
	84	85	Cum	84	85	Cum	84	85	Cum
Pay Raise + related costs[1/]	179	106	285	176	93	269	355	199	554
WIG's	35	29	64	34	25	59	69	54	123
Travel	4	...	4	5	...	5	9	...	9
Transportation of Things	...	...	...	1	...	1	1	...	1
Rental Equipment	2	...	2	3	...	3	5	...	5
Utilities	100	...	100	100	...	100	200	...	200
Printing	7	4	11	5	2	7	12	6	18

Contracts	73	71	144	113	68	181	186	139	325
Supplies	19	18	37	36	16	52	55	34	89
Equipment	2	1	3	3	2	5	5	3	8
Total	421	229	650	476	206	682	897	435	1,332

1/ Includes pay raise, pay cap, medicare, FICA, health benefits.

QUESTION:

The reimbursable services of the ICST are described on page NBS-52; what impact would a $5 million reduction have on such programs?

ANSWER:

ICST's reimbursable services depend upon the expertise gained through the STRS research program. NBS work in Federal ADP standards currently addresses management and use of computers, computer security and risk, government-wide ADP management, and international networking standards. The FY 1985 budget request will confine NBS activities to the area of international networking standards, an area where American trade interests must be protected, relying on the voluntary standards process and other private sector mechanisms for the other computer-related standards. As areas of research are terminated, the corresponding reimbursable services will be phased out.

QUESTION:

In January of 1984, the Inspector General issued a report on the proposed scientific computer center. Please respond in detail to each of the 9 issues listed in the appendix of that report.

ANSWER:

The 9 issues listed in the Inspector General's report of January 1984 were identified as of mid-summer 1983. The summary list of issues on page 16 indicates that 1, 4, 5, and 9 have been resolved to the Inspector General's satisfaction prior to the issuance of the report in January 1984. The RFP issued in December 1983 addressed most of the other questions raised in the report. Discussion of the specific issues is provided below.

Issue 1. Communications between project team, the Department, NBS, and NOAA/ERL not sufficient. (pg. 6)

In July 1983 senior management of the Department of Commerce, NOAA, and NBS selected a new project leader to assume responsibility for the project. One of the tasks assigned to the new project leader was to ensure that all individuals concerned were kept appropriately informed with respect to the progress of the computer acquisition project. Regular meetings have been scheduled involving the DoC Assistant Secretary for Administration, the Deputy Administrator of NOAA, the Director of NEL, the project leader, and the Director of the Office of Information Resources Management to ensure that adequate information is conveyed to all concerned.

Issue 2. Documentation of project decisions inadequate. (pg. 7)

In the course of discussions between the senior management of DoC, NOAA, and NBS, agreement was reached on policy decisions with respect to the computer acquisition. The project leader was delegated responsibility for gaining concensus from the two bureaus on all technical matters concerning the computer. A memorandum of understanding has been signed by the Director of NBS and the Director of ERL with respect to the acquisition and operation of the scientific computer system. The request for proposal that was issued in December 1983 has the full concurrence of all Departmental personnel associated with the procurement.

Issue 3. Hardware configuration may not provide adequate service. (pg. 8)

a. Questionable ability to handle interactive workload. (pg. 8)

The RFP released in December 1983 required that vendors proposing responses must demonstrate their ability to handle a minimum of 250 simultaneous interactive users on the scientific computer system. Further, the system must be capable of growing to accommodate an increase in the number of simultaneous interactive users during the life of the system as specified in the RFP. The number of initial interactive users has been concurred on by both NBS and ERL as being appropriate.

b. Number of super-minicomputers for Boulder not determined. (pg. 8)

The Department of Commerce has approved the acquisition of a new super-minicomputer for Boulder as a part of ERL's FY 1984 acquisition. Further study will be required, after experience is gained in using the entire system, as to the total number of super-minicomputers that will be required to support Boulder activity in future years.

Issue 4. Vendor could protest hardware configuration. (pg. 9)

a. Hardware configuration proposed is unique with little evidence to indicate success. (pg. 9)

This issue was raised when consideration was being given to retaining the currently leased Univac 1100/82. This issue is no longer of concern since the RFP issued in December 1983 does not provide for the inclusion of the currently installed NBS Univac 1100/82 as a part of the scientific computing system. In fact the delegation of procurement authority from the General Services Administration specifically prohibits the use of that machine in the scientific computer system.

Issue 5. Over $9 million shortfall. (pg. 10)

The President's budget request for FY 1985 contains an initiative in the NBS request of $8.874 million to provide for the funding for the scientific computing system.

Issue 6. Requirements study not fully documented. (pg. 10)

After collection of technical project team projections of their requirements for computer services through FY 1991, DoC, ERL, and NBS management reviewed the data and adjusted the projections so that they only contained activities which were funded in the FY 1984 budget. This resulted in the decrease in projected requirements which the two bureaus now are using in sizing the scientific computer system are fully consistent with the previous analyses developed independently by ERL and NBS.

a. No validated requirements for users outside of DoC. (pg. 11)

The scientific computer center is being acquired to meet only the documented requirements of ERL and NBS.

Issue 7. Security not adequately addressed. (pg. 12)

The RFP issued in December 1983 provided for the ability to implement a wide range of security measures with respect to the scientific computer if such are deemed to be appropriate. It should be noted that the system will not contain either classified or privacy act information in its data banks. In addition, the question of physical security was covered in the preparation of the site plans which are not being executed at the National Bureau of Standards. NBS will conduct a security audit of the new site when the specific hardware of the system is known.

Issue 8. More analysis needed on software and conversion costs. (pg. 12)

The Inspector General's report addressed software conversion costs. The computer system will be provided with a full set of operating software, compilers, control languages, and selected mathematical routines. It must be appreciated that the conversion of current applications software to fully utilize the vector capability of the computer will require a conversion under any circumstances. The scientific applications software in both bureaus is continually undergoing revisions as the individual research projects move ahead. The required conversions of applications software to the new system will be made in the normal course of business. We believe the funds allocated to software and conversion costs are adequate.

Issue 9. More analysis needed on staff requirements. (pg. 13)

The budget request forwarded by the President provides for an initial operating staff in the scientific computer center of about 50 employees with an increase to about 60 employees in mid-1986 when it is estimated that three shift around-the-clock support will be required. Additional support will be provided to the NBS and ERL user population by the Scientific Computing Division of NBS.

QUESTION:

What are the total software costs associated with the Class VI supercomputer for the life of the system, and are these costs accounted for in the outyears exclusive of costs already in the base program of NBS and ERL?

ANSWER:

The RFP pertaining to the NBS Class VI supercomputer was issued in December 1983 and will provide the basic operating system, compilers, control languages, and selected mathematical routines for all the computers (back-end, front-end, and communications) in the system. It is estimated that this initial software acquisition will require an expenditure of about $943,000. The operating costs for FY 1985-1991 contain provisions for the maintenance and upgrade of this basic software. The total estimated cost of the software maintenance is $1.233 million. As pointed out above, the funding of maintenance and revisions and upgrading of the applications software is the responsibility of the user community and funding for that activity is projected in the programmatic line items of the two bureau budgets.

QUESTION:

Will ERL be assessed for its use of the Class VI computer? Will those costs be assessed on the basis of actual use or will ERL be simply allocated a block of computer time and charged accordingly, irregardless of use?

ANSWER:

The philosophy that has been followed in the development of the budget for the DoC scientific computer system is to develop the costs associated with the targeted system for serving both ERL and NBS. The assets in both of the bureaus were then identified based on an assumption of steady state funding at FY 1985 base levels.

The decision was made to include all of the initiative money for FY 1985 in the NBS budget request in order to have the system treated as the single item that it is. NBS and ERL have agreed to an initial allocation of 40 percent of the central system capacity to ERL for ERL's use. Sixty percent of the central system has been allocated to the NBS-Gaithersburg for its use. Forty percent of initial minicomputer capacity at Boulder, Colorado will be made available to NBS personnel at Boulder to accommodate their local computing needs, the other 60 percent will be utilized by the ERL personnel.

QUESTION:

Please provide a copy of the Memorandum of Understanding between ERL and NBS on the use of the Scientific Computing System.

ANSWER:

A copy of the Memorandum of Understanding follows:

MEMORANDUM OF UNDERSTANDING
BETWEEN
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
ENVIRONMENTAL RESEARCH LABORATORIES
AND
NATIONAL BUREAU OF STANDARDS

I. PURPOSE.

This Memorandum of Understanding (MOU) serves as an agreement between the Environmental Research Laboratories (ERL) and the National Bureau of Standards (NBS) covering the funding and utilization of the resources provided as part of the Department of Commerce Scientific Computing System.

II. SCOPE.

This MOU is effective upon the date of execution by the two bureaus and will remain in effect through Fiscal Year 1991, or until such time as mutually agreed upon to terminate the MOU. This agreement is independent of any organizational changes which may occur before the expiration of this agreement.

ERL and NBS will participate in developing plans and procedures for installation of equipment and for operating the entire system.

The responsibilities of each Bureau are established from policies and statements developed by the Department for the operation of the Consolidated Department of Commerce Scientific Computing System. This memorandum of understanding follows the basic funding plans used for the development of that Facility and assumes the appropriation of funds continued in that plan.

III. RESPONSIBILITIES.

A. NBS.

1. Resources. NBS will install, maintain, and operate the Class VI computing system at Gaithersburg. NBS will make available to ERL, up to 40% of the resources installed in the Class VI system for ERL's use and will provide for one hundred simultaneous interactive ERL users.

2. Funding. NBS will be responsible for all costs relating to the Class VI system. This includes any initiatives and required adjustments to base.

B. ERL.

1. Resources. ERL will install, maintain and operate the distributed small processor system at the following locations: Ann Arbor, MI., Boulder, CO., Miami, FLA., Norman, OK., Seattle, WA. ERL will make available to NBS for NBS' use up to 40% of the capacity of the Boulder, CO., small processors.

2. Funding. ERL will be responsible for all costs relating to the small processor systems and the communications systems which connect the five NOAA sites to the Class VI facility at Gaithersburg. This includes any initiatives and adjustments to base.

EXECUTION. In Witness Whereof, the parties named below have executed this MOU for the bureau they respectively represent.

NATIONAL BUREAU OF STANDARDS	ENVIRONMENTAL RESEARCH LABORATORIES
E. Ambler	Vernon E. Derr
Ernest Ambler Director	Vernon E. Derr Director
Nov 2, 1983	10/25/83
Date	Date

National Telecommunications and Information Administration

QUESTION:

On page NTIA-8 a footnote mentions that "8 permanent positions and 10 total FTEs which are being utilized for this activity during FY 1984 were 'borrowed' from other subactivities.." Why is that, especially since Congress provided funds to administer PTFP grants in FY 1984?

ANSWER:

When Congress provided funds in FY 1984 to administer the Public Telecommunications Facilities (PTF) Grant Program, the Administration decided that rather than raise NTIA's personnel ceiling for FY 1984, it would be possible for NTIA to absorb the requirement by temporarily borrowing positions from other subactivities for that one year. Since the PTF grant program is proposed to be eliminated at the end of FY 1984 it would be no longer necessary to have those positions available in FY 1985.

QUESTION:

In FY 1983, what percentage of PTFP grants were used for extending service and what percentage were to replace existing facilities?

ANSWER:

In FY 1983, 54 percent of the PTFP grant funding was awarded for extending service and 40 percent was awarded for replacing existing facilities. The other 6 percent was utilized to provide other types of telecommunications facilities and services.

QUESTION:

In NTIA's FY 1985 budget justification, emphasis is placed on preparations for the 1985 International Telecommunication Union conference on space services. The budget calls for collection of spectrum and orbit data and development of software to analyze such data to aid development of a planning scheme for that important World Administrative Radio Conference (WARC). The Federal Communications Commission has also emphasized preparations for Space WARC—issuing three Notices of Inquiry and dedicating staff and resources to conference preparations.

a. Has NTIA obtained advance agreement from the FCC on the sharing of preparatory tasks, coordinating results and avoiding duplication? Why should both agencies emphasize preparations rather than one or the other assuming the lead role?

b. While NTIA has extended resources to develop computer software for the Space WARC, is there assurance that it will be compatible with computer hardware the FCC will acquire in FY 1985 specifically for use during Space WARC? Is there a written agreement with FCC on respective responsibilities for Space WARC preparations?

c. Has the Coordinator for International Communication and Information Policy at State Department, which controls and oversees all international conference participation, reviewed NTIA's preparatory plans?

ANSWER:

Under Executive Order 12046, the Department of Commerce is responsible for the development and presentation of telecommunications and information policy for the Executive Branch and Federal Government spectrum management. To carry out this responsibility, NTIA uses its long-standing Intergovernment Radio Advisory Committee (IRAC) which is composed of 22 Government agencies, including the FCC and State, to develop U.S. proposals and positions and other general preparations for ITU Conferences including the Space WARC in 1985. NTIA, with advice from the IRAC, provides comments on FCC's Notices of Inquiry and also takes responses to these inquiries into consideration in the conference preparatory efforts via the IRAC. In addition, Under Secretary of State Schneider, FCC Chairman Fowler and Commerce's Assistant Secretary for Communications and Information Markey meet periodically to ensure that the appropriate policy is applied to U.S. preparations.

Computer software development and other preparations for the Space WARCs are being carried out through the guidance, coordination and discussions within IRAC and among other ad hoc working groups that include both the State Department and the FCC. The coordination process within the IRAC will result in: (1) avoiding duplication, (2) focusing limited agency technical resources, (3) the consideration of principle Government and private sector concerns, and (4) a national set of proposals and positions for use by the U.S. delegation at the actual conference.

QUESTION:

Why is NTIA adding three engineers and other resources worth $257,000 to participate in ITU activities regarding the evolving Integrated Services Digital Network? Has industry participation in ITU activities on the ISDN since 1976 been adequate to protect U.S. interests? In light of the moves to a competitive and deregulated telecommunications industry, why is additional government participation appropriate at this time?

ANSWER:

The work that has been suggested for NTIA's more active participation in ISDN builds upon a very small level of funding ($96K), which has been made available to NTIA to address the myriad of policy and technical issues which will evolve. These include such compelling national concerns as network control and restoration priorities, quality of service specifications, acceptable international standards for connectivity and interoperability, etc. It is, therefore, of the utmost importance that NTIA, as executive spokesperson on telecommunications matters, be adequately positioned to address these and other upcoming issues.

Prior to the AT&T divestiture, primary interest in ISDN evolution in CCITT activities naturally fell with AT&T, which had the most to gain or lose from inception. Subsequent to divestiture, other interested companies now more actively involved in the telecommunications industry (e.g., IBM, MCI, GTE, etc.) have a major economic interest in the eventual outcomes of telecommunications standards activities. NTIA, under the auspices of the Dept. of State, plays a significant role in establishing concensus U.S. telecommunications standards positions, taking into account the many varied interests of industry groups, whether manufacturer, user, or carrier. Thus, the need for this "honest broker" responsibility played by NTIA in support of U.S. telecommunications standards development is greater in the competitive and deregulated environment.

Consulting and Related Services

Questions:

By appropriation account, please provide a listing of the funds obligated or to be obligated for consulting and related services in Fy 1983, 1984, and 1985.

Answer:

The information follows.

Consulting and Related Services
(in thousands of dollars)

	1983 Actual	1984 Estimate	1985 Estimate
General Administration:			
Salaries and expenses..............	$201	$150	$150
Bureau of the Census:			
Salaries and expenses..............	76	188	219
Periodic censuses and programs.....	48	734	634
Economic and Statistical Analysis:			
Salaries and expenses..............	558	465	600
Economic Development Administration:			
Salaries and expenses..............	101	-	-
International Trade Administration:			
Operations and administration......	2,048	2,191	1,895
Minority Business Development Agency:			
Salaries and expenses..............	82	75	75
National Oceanic and Atmospheric Administration:			
Operations, research, and facilities......................	13,208	8,070	4,403
Patent and Trademark Office:			
Salaries and expenses..............	13	111	111

National Bureau of Standards:			
Scientific and technical research and services	1,441	1,484	1,484
National Telecommunications and Information Administration:			
Salaries and expenses	250	1,310	430
Total	18,026	14,778	10,001

Question:

The Department has submitted a reprogramming of $17.3 million to cover the pay supplemental and other needs of NOAA for the current fiscal year. However, the reprogramming notice does not identify the sources of these funds from other NOAA programs. We'd appreciate for the record a detailed summary of the proposed funding shifts so we can determine which programs would be reduced in meeting NOAA's pay requirements.

Answer:

NOAA's FY 1984 pay increase and other costs of $14,433K will be absorbed in the program areas where they occur and from FY 1983 carryover funds. The $2590K will be derived from carryover, with the balance of $11,843K distributed to all budget categories based on the current level of personnel (i.e. direct labor) costs. The distribution by budget activity and sub-activity is as follows:

OPERATIONS, RESEARCH AND FACILITIES

	Amount (in thousands)
Ocean and Coastal Programs:	
Non-living Marine Resources	$ 24
Ocean Research	332
Ocean Services	284
Sea Grant	24
Mapping, Charting & Geodesy Programs	912
Subtotal, Ocean & Coastal Programs	1,576
Marine Fishery Resource Programs:	
Information Collection & Analyses	1,350
Conservation & Management Operations	628
State and Industry Assistance Programs	238
Subtotal, Marine Fishery Resource Program	2,216
Atmospheric Programs:	
Public Warning & Forecast Services	4,199
Atmospheric and Hydrological Research	632
Subtotal, Atmospheric Programs	4,831

Satellite & Environmental Data & Information Services:

Satellite Services	592
Data & Information	545
Subtotal, Satellite & Environmental Data & Information Services	1,137

Program Support:

Executive Direction and Administration	1,018
Marine Services	1,018
Aircraft Services	47
Subtotal, Program Support	2,083

TOTAL, OPERATIONS, RESEARCH AND FACILITIES	11,843
Use of Carryover	2,590
TOTAL	$ 14,433

Program Impact:

This reprogramming will result in a funding reduction of approximately 4% across the board in the last quarter. This reduction will be accommodated by deferring hiring and delaying procurements with every effort being made to minimize disruption in ongoing program activities. NOAA and the Department will oversee individual management actions to see that this policy is carried out.

The amount of money available to the various NOAA budget line items will be consistent with the FY 1984 Appropriations levels.

No facilities would be closed and no programs would be terminated.

Under a hiring freeze, it is projected that NOAA would save an estimated $2.9M in salaries and related expenses. The balance of $8.9M would be drawn from the deferral of planned contracts and procurements or other savings.

Potential savings in progress:

Close Johnston Island Weather Observing Station	111
Contract out Logistic Supply Center activities	60
Reduce number of Weather Service regional personnel	80
Contract out Riverdale chart distribution	50
Contract out Ashville printing operation	10

Possible areas for contract or procurement deferrals include:

e.g. equipment purchases;
facilities maintenance;
computer support;
supplies; and
consultant services.

Possible actions include:

Item	Amount (in thousands)
Satellite Weather Information System equipment	$2,000
Misc. Weather Service equipment	600
Weather Station Facilities transfers	1,040
Polar H, I, J spacecraft	1,000
Delay procurement of ocean observation system for TOGA	300
Delay mussel watch contract	900
Delay benthic survelliance contract	1,500
Resource info and data analysis	500
Facilities maintenance	250
Habitat conservation and research	300
Enforcement and fisheries management	200

Question:

Many members of this Committee support the A-76 process in which nonessential government activities are contracted to the private sector. However there is concern about accountability for specific A-76 decisions; in an article in the December 30, Washington Post the Associate Administrator of NOAA, James Winchester, was quoted as saying, "I have not decided what to do..." in regard to contracting out nautical chartmaking and ship operations. How are A-76 decisions reached at NOAA, and does the Department review and approve or disapprove specific recommendations?

Answer:

The quote attributed to Associate Administrator James W. Winchester was taken out of context in terms of contracting out nautical chartmaking and ship operations.

The reporter was questioning Mr. Winchester about the Management Study and whether or not he would approve the recommendation to proceed with Phase II, which is the preparation of a Performance Work Statement for those functions not determined to be inherently governmental. To that question, he replied, "I have not decided what to do." Since that time Mr. Winchester has received recommendations from appropriate program officials and the decision has been made to seek cost comparison with the private sector on about 49% of the branch's operations.

The Departmental order implementing OMB Circular A-76 delegates to departmental line organizations the decision-making authority on their own studies. This authority must be exercised by an official at the Assistant Secretary level or higher. In NOAA, this official is the Associate Administrator, James W. Winchester. The

Associate Administrator receives recommendations from all appropriate subordinate officials, and considers the views of the Administrator and the Deputy Administrator. He then makes the decisions on the management studies and on which activities are commercial in nature and should go forward to cost comparison with the private sector.

The cost comparison is then conducted and the lowest priced, technically qualified proposal, either a government operation or a contractor operation, is the winner. The operations will continue at the same level of technical quality whether in-house or on contract. The losing bidders, including the in-house bid, have a right to appeal the decision based only on some discrepancy in the computation of costs.

Once NOAA or any other Departmental agency determines an activity should be contracted out, the Department exercises two forms of review and approval prior to implementation. First, the Assistant Secretary for Administration is the final authority for resolving appeals disputes between NOAA and losing bidders. Therefore, the Department must concur with NOAA where there is a question of the cost effectiveness of the proposal before NOAA can proceed.

Second, the Department is responsible for notifying Congress, under reprogramming procedures, of each activity to be contracted out under OMB Circular A-76. Both the Department and OMB must concur with the reprogramming notification before it is submitted. Both House and Senate Appropriations Committees have set the guidelines for reprogramming notifications in our appropriations acts over the past several years. These procedures currently provide for waiting 15 days after notification before proceeding further with awarding a contract.

QUESTIONS SUBMITTED BY SENATOR WEICKER

Question:

Mr. Secretary, it seems ironic that early last year President Reagan established a 200-mile Exclusive Economic Zone around our coast. The proposed reductions for NOAA's Ocean and Coastal Programs and Fisheries Research Programs total more than $120 million. Such severe reductions for programs that were, in my opinion, not adequately funded to begin with are highly questionable. How can we wisely utilize and manage the valuable resources in our waters when research and development funding for the nation's major ocean agency has been so drastically reduced.

Answer:

The establishment of the 200 mile EEZ was an important step that needed to be taken to protect our nation's ocean and coastal resources. We intend to manage these resources wisely and to the economic benefit of the U.S. Efforts are currently underway to conduct a full survey of the EEZ area and to identify potential resources and the problems associated with their development. NOAA's proposed FY 1985 budget adequately funds these research activities. In FY 1985, the budget proposes over $100 million in support of ocean and coastal program activities and over $90 million in support of fisheries and management activities. The programs which have been proposed for termination or elimination in the oceans and fisheries area are of lower priority or represent activities which are more appropriately funded by the states or by private industry.

Question:

A-76 savings are shown to be close to $9 million in FY 85. Most of the studies are not complete, the result being that these numbers are estimates and not a result of the review process. How much have you actually realized from A-76 savings to date?

Answer:

Between FY 1980 and the end of FY 1983, 17 reviews have been completed by the Department. Of that number, eleven were contracted out, four were retained in-house, one was brought in-house from contract, and one was retained on contract. Savings from these reviews over a three year period are estimated to be $10.1 million. Of this amount, we estimate that approximately $4.5 million have been realized to date.

Question:

What percentage of those savings is from NOAA?

Answer:

Based on the estimated savings of $4.5 million through FY 1983, almost one-half (49.4 percent) represents savings attributed to programs of the National Oceanic and Atmospheric Administration.

Question:

What has the cost been for the A-76 savings?

Answer:

The estimated savings represent a net figure after expected costs are considered. We do not have an accounting of actual costs incurred from implementing the A-76 studies' results. Of course, an increase in costs would reduce the savings and a decrease would increase the savings.

Question:

What types of services in NOAA's Program Support are being transferred to DOC in the Adjustments to Base section of the proposed FY 1985 budget ($500,000).

Answer:

No services are being transferred from NOAA. The $500,000 represents only a realignment of functions within General Administration between the Working Capital Fund (WCF) and the Salaries and Expenses (S&E) appropriation. It is for functions which are policy or management-related, previously funded through the WCF but rightly placed in the S&E account. This transfer reflects a continuation of the realignment efforts initiated in FY 1983 between the Salaries and Expenses appropriation and the Working Capital Fund.

This realignment is shown below:

Function	Amount	
	To NOAA	From NOAA
o General Counsel	$+ 70,000	$ ...
o Office of Management Support operations		$- 50,102
o Procurement		- 81,305
o Office of Small and Disadvantage Business Utilization		-125,795
o Management Information System		-268,600
o Office of Information Management		- 43,800
Total	$+ 70,000	$-569,602
Net transfer	$499,602	

Question:

Was the transfer to DOC made for efficiency or savings reasons?

Answer:

The purpose of this realignment is to improve the overall financial management in the Department, as well as benefit the individual bureaus. In the case of the bureaus, a more equitable billing distribution system has been produced. No direct savings are realized as a result of this realignment, but management of the Department will be improved.

Question:

Please provide a listing of the funds NOAA spent in performing these services (by year) before their transfer to DOC.

Answer:

In actuality, NOAA did not previously perform the functions funded by the $500,000 base transfer. Historically, these functions were performed within the Department's Working Capital Fund (WCF) and billed to the bureaus annually. After a study of the elements comprising the WCF, it was determined that these functions were mostly policy-oriented and transferred from the WCF to the GA appropriation. Thus, the $500,000 became a one-time transfer to GA.

Question:

Where are last year's Congressional enhancements and restorations in NOAA's FY 85 budget request?

Answer:

The FY 1984 enhancements and restorations are part of the 1985 Base column in the budget justification. The enhancements and restorations that are proposed for decrease in FY 1985 are shown as decreases by line item in the program changes portion of the budget justification. The only restoration not proposed for decrease in FY 1985 is $200,000 for the Satellite Field Service Stations in Miami, Florida, and Honolulu, Hawaii.

Question:

How many agencies within the Department of Commerce requested and received a pay supplemental in FY 1984?

Answer:

The 1985 President's budget transmits the following proposed supplemental appropriations for pay increases for 1984:

Bureaus and Appropriations	Amt. Requested (in thousands)
General Administration	........$ 516
Bureau of Census	 700
Economic Development Administration	 220
International Trade Administration	 1,948
Minority Business Development Agency	 205
Patent Trademark Office	 1,200
National Bureau of Standards	 1,659
National Telecommunications and Information Administration	 100
Total, Pay Increase Supplemental	........$ 6,548

Question:

Did NOAA receive one?

Answer:

No.

Question:

Has NOAA ever received a pay supplemental?

Answer:

Yes.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

Question:

Please provide the Committee a list describing all those programs, and their proposed funding levels, which were appealed to the Office of Management and Budget. As well, please provide the Committee a list of all those programs, and their funding, which will be reinstated as a result of OMB's pass-back after the appeal.

Answer:

Department of Commerce
FY 1985 Budget Request to OMB
(dollars in millions)

Bureau and Program	Appealed to OMB	Restored on Appeal
General Administration		
Telephone systems	$5.3	$2.0
Inspector General	1.3	1.1
Bureau of the Census		
International Data Base	1.3	1.3
1987 Census of Agriculture	1.0	1.0
International Trade Administration		
Trade promotion base	9.9	9.9
Export Administration	1.6	...
Import Administration	0.3	...
Minority Business Development Agency		
Enterprise and resource development base	2.0	1.5
U.S. Travel and Tourism Administration		
Base program	3.2	3.2
National Oceanic and Atmospheric Administration		
Advanced Weather Interactive Processing System	6.0	...
Fisheries trade development base	1.6	...
NMC computer upgrade	2.0	2.0
Navy Remote Ocean Sensing Satellite support	3.5	...
Columbia River Fisheries base	1.7	...

National Bureau of Standards		
Science and technology initiatives	15.4	7.0
Institute for Computer Sciences and Technology base	5.0	...
Scientific computer	8.9	8.9
National Telecommunications and Information Administration		
International conference support	0.7	0.4

Question:

For approximately three years "adjustments-to-base" have not been calculated for a number of programs for which DOC has proposed termination but for which Congress has, in fact, provided funds. Please list all those programs and services within NOAA for which "adjustments-to-base" have not been made, and provide their historical funding levels. What would be the actual funding level for these programs if adjustments to base were calculated during the past three years?

Answer:

Adjustments to base include both pay raise and other increases and decreases. All NOAA programs share proportionately in pay raise. Additional funding of $27.8 million was provided for pay raise and medical costs in the FY 1983 supplemental bill. By contrast, the additional funding provided for adjustments to base for inflationary increases was only $5.2 million in FY 1984. This amount was applied by NOAA to fund the important cost increases. The adjustments to base do not adjust all non-staff costs for inflation.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

GENERAL ADMINISTRATION

QUESTION:

Please describe the Government-wide standards being developed for Business Loan Credit Approval and Loan Portfolio Sales, mentioned on page GA-2.

ANSWER:

The Department of Commerce was tasked by the Office of Management and Budget (OMB) with developing Government-wide policies and procedures for loan portfolio sales under the Reform '88 program. Our assignment was to 1) evaluate policies and procedures relating to portfolio sales used in both the public and private sectors, 2) identify and evaluate Government lending programs to determine the suitability of the portfolios for sale, 3) identify legal and regulatory impediments to loan sale, and propose strategies for overcoming these impediments, and 4) in light of the above, develop a general Government policy statement on the sale of loans and general procedures for conducting a loan sale.

To date, numbers 1 and 2 above are complete. Number 3 was transferred to OMB because Commerce cannot develop legislative strategy on a Government-wide basis. For number 4, the draft policy statement is being reviewed by OMB and the procedures document is being developed by a consultant. Completion is expected in about 8 weeks.

QUESTION:

Will the Loan Portfolio Sales standards provide that the loans can only be sold with the consent of the borrower as now included in EDA's Appropriation?

ANSWER:

The loan portfolio sale policy statement does not address this issue.

QUESTION:

Why is the Department developing a Business Loan Credit Approval standard since it does not support EDA or trade adjustment loans? Am I correct that these standards are not applicable to SBA or Farmer's Home business loans?

ANSWER:

We are not developing credit approval standards. Credit approval standards are being developed by the Treasury Department. The Commerce role is a technical one--to develop systems and procedures for applying credit standards (developed by Treasury) to credit decisionmaking. The Treasury Department will decide to what programs these standards will apply.

JOBS CREATION

QUESTION:

Once again the Reagan Administration has not budgeted for the assistance programs of the Economic Development Administration. Congress, on the other hand, has appropriated funds each year for these programs.

Since January 20, 1981 some $857,472,000 has been obligated by EDA. Given the Administration's opposition to the program, one must only conclude that the funds were only obligated for the most valid projects.

a. What is the estimated number of jobs created by the EDA projects that the Reagan Administration has approved?

b. How does the cost per job created in the Reagan Administration compare with the cost per job created during the Carter Administration?

ANSWER:

It is too early to adequately evaluate the job creation aspects of the Public Works projects approved by EDA during the Reagan Administration (i.e. fiscal years 1981, 1982 and 1983) because most of the permanent private sector jobs are not created until 3 to 5 years after the approval of a project. However, the grantees estimated in their applications that some 380,286 jobs would be created or saved as a result of the $610.7 million in Public Works and Development Facility grant assistance awarded by EDA during the Reagan Administration. Previous studies by EDA have found that application estimates tend to overstate the importance of EDA's assistance in saving jobs for an area.

Although this comparison (jobs created during Carter vs. Reagan terms) cannot be made, we expect the short-term cost per job ratio may be slightly better under the Reagan Administration, as more emphasis has been placed on "birds-in-hand" during the project selection process. However, based on past evaluations it is clear that employment impacts increase for most projects as the project grows older. Therefore, the long-term cost per job ratio attributable to the jobs created or saved under the Reagan Administration as a result of EDA's Public Works grant assistance programs should compare favorably to EDA's historical employment impacts (i.e. between $4,000 and $6,400 per job) as calculated by the Economic Development Task Force in a report entitled An Examination of Selected EDA-Funded Activities.

QUESTION:

What strategy has the Reagan Administration followed in allocating the limited funds appropriated to EDA?

ANSWER:

Most funds appropriated to EDA for its grant programs are allocated to each of the six regional offices. The funds are allocated on the regional level, not to particular states. These allocations are based upon area population, regional unemployment rates, and per capita income.

QUESTION:

Mr. Secretary, in the past you have noted that so much of the nation is eligible for EDA funding due to the moratorium on de-designation of areas. However, you have complete discretion in the choice of the eligible areas to be assisted. During your tenure, have funds been approved for any area that would have not been eligible except for the moratorium? If so, list the projects funded in such areas and explain why they were funded?

ANSWER:

We are unable to provide an answer at this time, as the computerized records in EDA's information system are not structured in a way to easily ascertain how many projects have been approved in such holdover areas. The status of eligible areas is a rather dynamic list that is compiled quarterly. Since the listing is not cumulative, EDA must manually compare the projects funded in a particular fiscal year (i.e. 1981, 1982 and 1983) with the appropriate listing of holdover areas in order for such projects to be identified and the reason for their approval explained. This process, which has been initiated, will take several weeks to complete. A list of such projects and explanation as to why they were funded will be furnished upon completion of the manual review and compilation.

QUESTION:

In your statement you speak of the gains made in the economy. Despite those gains, there is an unemployment rate of 22.5% in McCormick County, South Carolina and 19 other counties with more than 10% unemployment.

Assistant Secretary Newman told the House Appropriations Committee last week that the communities could avail themselves of Urban Development Action Grants or the programs of the Farmers' Home Administration. McCormick County has never seen a UDAG and the Farmers' Home programs have been cut in half for 1985.

Is it the real intention of the Reagan Administration just to write off the McCormick counties of America instead of helping them provide the infrastructure that will attract industrial and commercial development?

ANSWER:

No, the Reagan Administration is concerned with the economic development of the McCormick counties of this Nation. With the President's Economic Recovery Plan, we have seen real gains in the economy. Interest rates have dropped substantially, unemployment continues to decrease, construction starts are up, and inflation is at a standstill. As the economy continues to expand, the McCormick counties of America will be a part of our Nation's continued recovery from past economic ills.

QUESTION:

For 1984, Congress provided $40,000,000 to take care of some of the huge amount of projects that could not be funded by the Jobs Supplemental of 1983. How much has been obligated to date and what funding priorities have been established for the $40,000,000?

ANSWER:

As of March 16, 1984, 27 carry-over projects (i.e. the original applications were made in 1983 under the Jobs Act Program) for $13,650,000 have been approved. Regional offices are currently receiving and recommending proposals to Washington for projects to be funded from the remaining $26,350,000. Priority consideration will be given to those applications submitted in FY 1983 that did not get funded and that have the best chance of creating or stimulating employment opportunities.

EDA LOAN GUARANTEES

QUESTION:

Please provide the following information regarding the EDA loan guaranty program:

1. description of the procedures to be followed by EDA to solicit and process applications for loan guaranties;

2. for fiscal year 1984 a tabulation of applications approved, accepted, and under process in a "pre-application" status; and

3. a projection of goals for implementation of the loan guaranty program.

ANSWER:

EDA announced the procedures to be followed to apply for a loan guarantee in a notice in the Federal Register published on December 14, 1983. That notice indicated that EDA was accepting applications from private lenders for projects located in eligible areas. Applicants were directed to contact the EDA regional offices. The notice set forth the amount of funding available, the types of financial assistance, the conditions of assistance, required supporting documentation, and the timeframe for applying.

At the present time, 3 EDA regional offices are working with a total of 11 potential applicants whose proposals represent an estimated EDA exposure of about $30 million. Of these, only one completed application has actually been submitted.

EDA's new Assistant Secretary is reviewing EDA's present activities and resources available for most effectively implementing the loan guaranty program this fiscal year.

Office of Textiles and Apparel

QUESTION:

When we were briefed on the reorganization of the International Trade Administration, we were assured that Textiles would keep its identity. That may be true for your organizational chart, but how come we find no budget levels for the Office of Textiles and Apparel in the justification?

ANSWER:

The Office of Textiles and Apparel is now one of the seven sector-specific Deputy Assistant Secretary organizations in Trade Development that make up the Sectoral Analysis line item in the budget structure. Because all seven sector organizations are basically equal in terms of functions performed, it was not logical to have a separate line item for Textiles and Apparel and have the other six sectors combined into one line item.

QUESTION:

Please detail the budget levels for this Office in fiscal years 1984 and 1985, including the postions, workyears, and the obligations by object class.

ANSWER:

	FY 1984			FY 1985		
	FTE	Pos.	$000	FTE	Pos.	$000
Personnel Compensation						
FTP Salaries	46	45	1,395	46	48	1,503
OTP Salaries			25			25
Personel Benefits			157			169
Subtotal			1,577			1,697
Cash Awards			10			10
Overtime			10			10
Other Objects						
Travel			100			100
Printing			90			90
Other Services						
Training			5			5
Contracts			30			45
Supplies & Materials						
Office Supplies			10			10
Equipment						
Office Furniture and equipment			5			5
Subtotal			260			275
Total			$1,837			$1,972

Textile and Apparel Imports

QUESTION:

Mr. Secretary, President Reagan and various members of his Administration have repeatedly promised that they would relate textile and apparel imports to the growth of the domestic textile and apparel industry. This domestic industry has been growing at a rate something less than 1 percent a year. Yet, since the Reagan Administration has taken office, imports have increased from 4.9 billion yards in 1980 to 7.4 billion yards in 1983. This is an increase of 52 percent during this Administration. How do you account for this increase and what do you plan to do about it?

ANSWER:

The sharp increase in imports can be attributed to (1) the strength of the U.S. dollar which reduces import cost to U.S. importers and (2) the increase in U.S. consumption due to improved economic conditions in the United States.

The Administration has taken a number of steps to restrain the growth of disruptive textile and apparel imports. In 1982, we renegotiated the agreements with the major suppliers to tighten the provisions of those agreements. To counteract the sharp rise in imports, the Administration established 111 new quotas covering imports totaling 1.2 billion square yards. This was a record number of new limits since the beginning of the textile program. This has led to $5 million in seizures and $9 million in penalties in just the past few months.

In December 1983, the President authorized additional criteria to be used in identifying cases of market disruption. As a result, we have made 57 calls for consultations to establish new limits since that time. In addition, the Administration has substantially expanded its efforts to counteract textile quota fraud and circumvention.

Textile Import Monitoring System

According to information supplied the Subcommittee on March 5th, $298,000 was carried over into fiscal 1984 of the appropriation of $2,400,000 we made in fiscal 1979 for the Textile Information Management System (TIMS). Last year $836,000 was carried over, so presumably $538,000 was used to operate TIMS in fiscal 1983.

QUESTION:

Briefly summarize the information to be provided by TIMS.

ANSWER:

The project known as the Textile Information Management System (TIMS) has been operational since 1979. It is instrumental in implementing our bilateral textile and apparel import restraint agreements with 27 countries. The system is used to monitor imports, reconcile statistical differences with bilateral partners and identify fraudulent shipments. We are building a domestic data base as part of the TIMS which will enable us to more accurately and rapidly determine the extent of domestic market disruption caused by imports of textile products.

QUESTION:

What are the estimated operating costs of TIMS in fiscal 1984 and how will they be covered?

ANSWER:

Of the original appropriation of $2.4 million in October 1978, we have expended $2.102 million, leaving a balance of $298,000 through FY 1983. The estimated operating costs of TIMS in fiscal 1984 is $367,000. The additional $69,000 is available within existing resources.

QUESTION:

What are the estimated operating costs of TIMS in fiscal 1985 and how will they be covered?

ANSWER:

In FY 1985, ITA is planning a program of up to $523,000 based on increased NIH computer usage. These funds will be made available within the amounts requested for ITA.

Trade Adjustment Assistance Support of Textiles and Apparel

Last September, we were informed that the trade adjustment assistance program was providing $1,875,000 in support of the fiscal 1983 textile/apparel export promotion program. In addition, $976,832 was provided from trade adjustment assistance for productivity, engineering and marketing projects.

QUESTION:

What is planned for the textile/apparel export promotion program in fiscal years 1984 and 1985 and how will the program be funded?

ANSWER:

A full program of trade developmental activities is scheduled under the Department's Textile/Apparel Export Program for FY 1984 and FY 1985. Current plans for FY 1984 (including projects already completed) include 6 overseas trade shows, 3 trade missions, 5 domestic foreign buyer events, 6 textile/apparel export seminars and workshops, 3 market studies, and 2 consultations with foreign governments regarding their non-tariff barriers or other trade issues. A somewhat expanded schedule of activity is planned for FY 1985, including 8-9 overseas shows, 5 trade missions, an expanded market research role, and a level of activity in other areas comparable to that performed in FY 1984.

In FY 1984 direct appropriations to support the program is $1.9 million. Project money for the export promotion program is $1.7 million from TAA funds and trust funds. $.3 million will fund TIMS in FY 1984.

The FY 1985 budget assumes $1.9 million for direct support; $1.7 million for the export promotion program, including trust funds; and $.5 million for TIMS.

QUESTION:

Do the plans for fiscal 1984 still provide $14,200,000 for the operation of the Trade Adjustment Assistance Centers? If no, why?

ANSWER:

$13.2 million is available to fund TAACs during FY 1984, an increase of $210,000 over 1983. $1.0 million of TAA funds being transferred to OTEXA will be used to conduct foreign trade shows, selling missions, foreign buyers events, export seminars, and to update research studies. Sufficient funds are available to operate the TAACs through 1984 at current levels. No funds are requested for 1985.

Trade Adjustment Assistance

On March 5th, Donald Mateer of the McCreary Tire and Rubber Company told the Subcommittee how $81,000 of trade adjustment technical assistance had saved the company. They went from a $2,400,000 low in 1982 to a $1,100,000 profit in 1983.

Last July, the senior policy analyst of the TRW Corporation, in testimony before the Joint Economic Committee, proclaimed the trade adjustment assistance program as the "sleeper" of the Reagan Administration.

All we hear about is the bad loans made by the previous Administration. While we can quibble about the accounting of loans only 10 days past due as being in default, we'll acknowledge that many of those loans were soft. Since this Administration doesn't make loans, we shouldn't waste time talking about them.

QUESTION:

Mr. Secretary, good things are happening in this program under your leadership. Why don't you take credit for the changes you have made instead of continuing to criticize the program on the basis of bad loans made by your predecessors?

ANSWER:

Congress did provide $7.5 million for loans in 1984. While we have more effectively run the TAA program, I continue to oppose it because:

o The fact that a firm has been harmed by import competition should not be the sole justification for special Government assistance. Such special treatment is unfair to firms that have been harmed by domestic competition or by the recent recession.

- U.S. trade laws provide remedies against unfair import competition. However, TAA is available to firms even if the import competition was fair -- i.e., not subsidized or dumped.

- Default rates suggest that a large proportion of TAA loans and loan guarantees have not helped firms adjust. As of December 31, 1983, 11.2 percent of the TAA portfolio was delinquent in meeting payments, 17.5 percent was in liquidation, and 32.2 percent had been written off.

New Orleans Fair

QUESTION:

Last September, the Department's Inspector General issued a report entitled Status of Louisiana World Exposition. That report cast considerable doubt that the U.S. would be able to open a pavilion as scheduled on May 12, 1984. In addition, the report found "no clear cut chain-of-command and assignment of responsibilities for managing the Department's role" at the Louisiana World Exposition.

What has been the Department's response to the findings in this report?

ANSWER:

All issues raised by the I.G. report dated September 1983 have been responded to in depth, administrative and accounting procedures instituted to meet the recommendations of the I.G., a reporting structure through the Assistant Secretary for Trade Development has been established by DOC organization and function order 41-1 (Amendment 2) and 41-5 (Amendment 3), and several personnel changes within the former Office of International Expositions have been effected to insure more responsive and accountable administrative control for this program.

QUESTION:

The IG found that the imprest funds had not been properly controlled and that at least $8,000 was missing from the fund located in New Orleans. Have those funds now been accounted for and is it correct that someone was indicted due to the irregularities? If so what is the status of the criminal procedures?

ANSWER:

The Inspector General's investigation revealed that imprest funds were not being properly audited and accounted for. Subsequent investigation revealed that accounting for other administrative procedures brought the total amount to $12,700. The employee was placed under indictment and the Justice Department, as the appropriate agency of government, instigated immediate actions, thus removing the Department of Commerce as the responsible arm of government.

QUESTION:

The report noted the imprest fund cashier's son was being paid a salary of $180 per week from the fund. In addition, a clerk-typist was paid from the fund. Is it the usual practice for Departmental personnel to be paid out of petty cash?

ANSWER:

It is not the usual practice to pay any employee of the Department of Commerce out of petty cash. It would appear that these temporary employees were paid from the imprest fund (one as a driver and one as a clerk-typist) to fill an immediate and specific job assignment for a few weeks. This was an administrative procedure (erroneously used by the former imprest fund cashier) which was immediately terminated.

A fully documented response was submitted to the I.G. in January 1984.

Question:

The Department of Commerce FY 85 budget for NOAA proposes the transfer of $44.9 million from the Fisheries Loan Fund to the U.S. Coast Guard. What, if any, basis in law exists authorizing the transfer of these funds?

Answer:

Legislation was submitted to the Congress on March 7, 1984, to allow for the transfer from the Fisheries Loan Fund (foreign fishing fees collected) to offset NOAA and the U.S. Coast Guard appropriations for carrying out the Magnuson Fishery Conservation and Management Act (MFCMA). We believe this is a more appropriate use of the funds and is consistent with the original intent of the MFCMA, since the foreign fishing fees are based on MFCMA costs.

Question:

Please state the Department's definition of Adjustment to Base. Given this definition, please explain the following reductions: $1 million for the Weather Station mandated by the Congress for Paducah, Kentucky; $220,000 for satellite field service station operations in Hawaii and Florida; $116,000 for NOAA Weather Radio. Please explain the program adjustments made in the Adjustment to Base process individually.

Answer:

The Adjustment to Base description in the Department's Budget and Program Analysis Handbook states:

> "The concept of adjustments to base and built-in changes has evolved in the Department as a method of showing the Congress how much it will cost in the budget year to maintain programs which will recur in the budget year to maintain program level. The purpose of the method is to simplify the justification of non-discretionary items of cost increase and decrease which affect all programs financed by a given appropriation. The necessity for carefully estimating and justifying increased amounts is equally compelling for adjustments to base as for program increases.
>
> Adjustments to base will be approved only to the extent that they are beyond the control of the Department and can be justified both technically and programmatically Most cost of living increases will not meet this criteria and will have to be absorbed."
>
> Decrease entries under "Adjustments to base and built-in changes" will include the following:
>
> A. Non-recurring items or projects from previous years.
>
> B. Transfers.
>
> C. Rescissions and deferrals.

The FY 1984 budget included $1 million for the procurement and installation of a weather radar and construction of a Weather Service Office in Paducah, Kentucky. The construction and procurement are one time-occurences. No funds are required for these purposes in FY 1985.

There are no reductions proposed in either the adjustment to base or as part of the program decrease in the satellite field service stations or NOAA Weather Radio.

Question:

In regard to common services, what funds were transferred from NOAA to DOC in fiscal years 1982, 1983, and 1984 for this activity? State with specificity how this compares with NOAA's cost of performing these same services prior to their transfer to DOC.

Answer:

NOAA transfers funds from the Common Services account to the Department for services provided by the Department including payroll, personnel, and travel. For FY 82 the total transfer was $4,988,400; FY 83 was $8,850,000; and FY 84 is estimated to be $8,460,000. The charges from the Department for performing these services cannot generally be compared to NOAA's cost. In many cases, NOAA has never performed these services. One example of a service which NOAA had performed is the payroll/personnel and travel payments operations now provided by the Department's

Management Service Center (MSC). However, the services provided by the MSC are substantially broader than those previously available from the NOAA system. The current cost is higher than they were in NOAA, but so is the increase in service, making realistic comparisons not possible.

Question:

Why is DOC proposing to reduce NOAA field structure by $1.1 million when NOAA field staff were primarily used to staff DOC's Administrative Service Center? Explain in detail why the Congress should not regard this as a double count, and provide an accounting of the administrative support money which has been reduced and spread throughout NOAA over the last three years. In, addition, explain these reductions in light of the fact that Congress has restored the majority of the programs involved.

Answer:

The Department has productivity standards in some administrative positions. Based on these standards, the budget was reduced by $1.1 million in FY 1985 to reflect the application of the standards throughout field operations. While it is true that administrative field staff were transferred to the Regional Administrative Support Centers (RASCs), not all were. The savings of $1.1 million would accrue from further reductions in these positions which will no longer be required as the RASC's assume full general management operation.

In FY 1983, $1 million for general management support was reduced and in FY 1984 $4.003 million was reduced. The general management reduction proposed in the FY 1985 budget was first proposed as part of the FY 1982 revised budget to reflect the 12 percent across the board reductions. The administrative cut was predicated on the assumption that the programs would be reduced and less administrative support would be required. The FY 1985 proposal is also predicated on that assumption. The administrative reduction should be commensurate with the program reduction. The administrative reductions in FY 1983 and FY 1984 were taken by NOAA organizations as follows:

	Dollars in Thousands		
Organization	FY 1983	FY 1984	Total
Administrator	$ 86	$ 306	$ 392
NOAA Corps	27	...	27
Administrative and Technical Services	180	1,472	1,652
Budget and Finance	35	172	207
NESDIS	85	318	403
NMFS	141	351	492
NOS	88	375	463
NWS	247	747	994
OAR	111	262	373
Total	$1,000	$4,003	$5,003

Question:

Please provide information on the total of all FY 85 DOC appeals to OMB. State how much was attributable to NOAA appeals, and what percentage was represented by these appeals as part of the overall DOC appeal. Please provide a listing of programs and amounts that were granted by OMB.

Answer:

The Department appeal to OMB was $96.3M of which NOAA's portion was $23.2M (24% of all DOC appeals). OMB granted the Department of Commerce approximately $65M of which NOAA's share was $9.3M. See attached table for the amounts requested by NOAA from the Secretary and from OMB.

The following table reflects NOAA's request to the Secretary, DOC's request to OMB and the President's request to Congress for all NOAA accounts:

	Request to Secretary		Request to OMB		Request to Congress		
	FTE	Amount	FTE	Amount	Perm. Pos.	FTE	Amount
National Oceanic and Atmospheric Administration:							
Operations, research, and facilities	13,098	$1,128,864	12,186	$971,309	9,431	10,868	$802,909
Coastal zone management	...	...	...	...	...	...	...
Fishing vessel and gear damage compensation fund	2	1,750	2	...	2	2	...
Fishermen's contingency fund	1	250	1	250	1	1	250
Fishermen's guaranty fund	1	2,100	1	2,100	1	1	1,800
Foreign fishing observer fund	36	12,000	36	4,500	1	36	4,500
Fisheries loan fund	...	...	...	...	...	...	89,882
Subtotal, NOAA	13,138	$1,144,964	12,226	$978,159	9,436	10,908	$899,341

Question:

As Secretary of Commerce, you are aware that 56% of the Department's budget is attributable to NOAA. How much time did you and the Deputy Secretary spend on matters relating to NOAA last year?

Answer

The question implies that since NOAA represents 56% of the budget, top management should spend 56% of its time on NOAA. In our view, this is not a sound management assumption. The time of both the Secretary and Deputy Secretary is limited and devoted to the most pressing issues which need their personal attention, many of which do involve NOAA. NOAA's progress toward meeting the Secretary's goals and objectives is monitored in quarterly strategic planning objective sessions. At that time the Deputy Secretary discusses in depth many of NOAA's activities. In addition to these regular program reviews, several meetings per week are held between the Secretary/Deputy Secretary and the Administrator/Deputy Administrator to discuss and resolve NOAA issues of an immediate concern. All in all, Departmental management devotes whatever time is necessary to deal with NOAA programs and issues.

Question:

If NOAA is benefitting by being part of the Department of Commerce, please state with specificity how. If Administrative efficiencies are claimed, provide a detailed financial breakdown showing the costs of the Departmental operations vs. the costs of NOAA performing these same activities based on past performance.

Answer:

As part of the Department of Commerce, NOAA enjoys Secretarial level representation at the cabinet level. This allows for NOAA's views on major Federal policy issues to be given the highest level of attention within the Executive Branch.

NOAA also benefits from its general association with other Commerce Bureaus who share like responsibilities for providing information and services to the general public and U.S. business. NOAA's joint efforts with the International Trade Administration (ITA) have helped to expand U.S. fisheries markets overseas.

NOAA programs contribute to the achievement of all of the Department of Commerce major goals and objectives.

Question:

During FY 84 and FY 85 you show projected savings of $1.1 million as a result of management efficiencies gained as a result of your Administrative Service Centers. Please state the direct and indirect costs of implementing the ASCs. Include NOAA's share of the monthly operating costs of the ASCs for the last two years. Please include an explanation of how that compares with the operating costs for NOAA in this area for the two years prior to ASC implementation.

Answer:

The Regional Administrative Support Centers (RASC's) were established primarily to improve service to Department of Commerce programs. Savings were of secondary concern and not planned in the short term. No savings are projected in FY 84; however, improved efficiencies are projected for FY 85. The startup costs for the four RASC's for FY 83 and FY 84 will be approximately $2.6 million. Indirect costs associated with the establishment of the RASC's include the time expended by staff in other NOAA and Department of Commerce administrative units. NOAA's monthly share of operating the RASC's approximates $1.1 million for an annual total of $13 million. Other Commerce bureaus contribute $3.5 annually. NOAA's funding amounts to 78 percent of the operating costs of the RASC's. An actual comparison of operating costs before implementation of the RASC's is difficult to make because administrative functions prior to establishment of the RASC's were spread through a large number of organizational components, both at headquarters and the field. There were no good cost estimates for the total cost of administrative efforts.

Question:

The President has advocated more research at the Federal level, and there have been substantial increases in atmospheric and oceanic R&D budgets throughout the government, while at the same time NOAA's basic research budget has been reduced. How do you explain this?

Answer:

The President's FY 1985 budget does include selected increases in oceanic and atmospheric services research. These increases are focused in two specific areas: research needed to address a specific problem of national concern; and long term basic research. An example of research in the first category includes work in acid rain, specifically as to effects and man-made sources. NOAA's work in acid rain, which focuses primarily on natural sources, will continue at the level recommended by the Interagency Task Force, of which NOAA is a member. Another problem area for research is related to the cleanup of the Chesapeake Bay. These are both headed up by EPA.

The second emphasis, regarding long-term research, is part of the Administration's effort to increase that area. This research provides benefits to the nation in the long-term but is not generally conducted by the private sector or mission agencies. NOAA's research virtually is all applied.

Question:

The Department's FY 85 budget proposes financial offsets to fund NOAA program requirements totaling $118.5 million. Over 70% of this amount requires legislative change. Given the short session and substantial Congressional opposition to many of these changes, the prospects for achieving them are minimal at best. In light of this practical fact, how do you propose to make up the shortfall?

Answer:

In the absence of legislative change for the Fisheries Loan Fund ($44,941,000) and the Saltonstall-Kennedy ($38,600,000) financial offsets, we would recommend an appropriation to fully fund the program level proposed in the FY 1985 budget. We hope this will not be necessary and believe that, given the deficit problem that confronts all of us, the necessary legislation to offset appropriations from the Treasury will be passed by the Congress. The Saltonstall-Kennedy transfer is the same as the transfer included in the FY 1984 Appropriation Act. No authorization for the transfer was made last year.

Question:

On March 5, 1984, the Department transmitted to the Committee a notice of a $17,294,000 reprogramming for NOAA. This reprogramming cites various increased costs, such as the pay raise, that the Committee does not dispute.

However, the Committee cannot accept the proposal to reprogram $11,843,000 from various unspecified activities to meet those increased costs. This would be nothing but a license to steal from the projects we fought and bled for last year; such as, the weather radar for Western Kentucky; Sea Grant; Columbia River fish hatcheries and the renovation of the laboratory in Oregon; the weather modification programs in Nevada, Utah, North Dakota and Illinois; or restoration of the Gulf oyster fishery. Mr. Secretary, do you, as a former business executive and a tax payer like the rest of us, really believe that the Congress should abandon our power of the purse in such a cavalier fashion?

Answer:

Further specific information on the NOAA pay raise reprogramming follows in the response to the next question. The programs you have listed are not included. If funds from Congressional initiatives are proposed for reprogramming, a notification will be prepared under the existing procedures. The Department and NOAA want to keep the appropriations Committees fully informed and to use all funds as Congress intends.

Question

Mr. Secretary, certainly within the Department there must be some plan or estimate of the activities to be impacted by the reprogramming of the $11,843,000. Which activities and projects will be adversely affected by the reprogramming of the $11,843,000 and in what amounts?

Answer:

OPERATIONS, RESEARCH AND FACILITIES

	Amount (in thousands)
Ocean and Coastal Programs:	
Non-living Marine Resources	$24
Ocean Research	332
Ocean Services	284
Sea Grant	24
Mapping, Charting & Geodesy Programs	912
Subtotal, Ocean & Coastal Programs	1,576
Marine Fishery Resource Programs:	
Information Collection & Analyses	1,350
Conservation & Management Operations	628
State and Industry Assistance Programs	238
Subtotal, Marine Fishery Resource Program	2,216
Atmospheric Programs:	
Public Warning & Forecast Services	4,199
Atmospheric and Hydrological Research	632
Subtotal, Atmospheric Programs	4,831
Satellite & Environmental Data & Information Services:	
Satellite Services	592
Data & Information	545
Subtotal, Satellite & Environmental Data & Information Services	1,137
Program Support:	
Executive Direction and Administration	1,018
Marine Services	1,018
Aircraft Services	47
Subtotal, Program Support	2,083
TOTAL, OPERATIONS, RESEARCH AND FACILITIES	11,843
Use of Carryover	2,590
TOTAL	14,433

Program Impact:

This reprogramming will result in a funding reduction of approximately 4% across the board. This reduction will be accommodated by deferring hiring and delaying procurements with every effort being made to minimize disruption in ongoing program activities. NOAA and the Department will oversee individual management actions to see that this policy is carried out.

The amount of money available to the various NOAA budget line items will be consistent with the FY 1984 Appropriations levels.

No facilities would be closed and no programs would be terminated.

Under a hiring freeze, it is projected that NOAA would save an estimated $2.9M in salaries and related expenses. The balance of $8.9M would be drawn from the deferral of planned contracts and procurements or other savings.

Potential savings in progress:

Close Johnston Island Weather Observing Station	111
Contract out Logistic Supply Center activities	60
Reduce number of Weather Service regional personnel	80
Contract out Riverdale chart distribution	50
Contract out Ashville printing operation	10

Possible areas for contract or procurement deferrals include:

e.g. equipment purchases;
facilities maintenance;
computer support;
supplies; and
consultant services.

Possible actions include:

Item	Amount (in thousands)
Satellite Weather Information System equipment	$2,000
Misc. Weather Service equipment	600
Weather Station Facilities transfers	1,040
Polar H, I, J spacecraft	1,000
Delay procurement of ocean observation system for TOGA	300
Delay mussell watch contract	900
Delay benthic survelliance contract	1,500
Resource info and data analysis	500
Facilities maintenance	250
Habitat conservation and research	300
Enforcement and fisheries management	200

CENTER FOR FIRE RESEARCH

QUESTION:

Mr. Secretary, I am very concerned that the Administration again is trying to eliminate the Center for Fire Research at the National Bureau of Standards. The Center over the years has developed an outstanding reputation for the development of meaningful and relevant test methods. It is looked upon by standard-writing groups, code officials and fire service personnel as a source of guidance and uniformity in our national efforts to minimize the hazards of fire. I think it would be a mistake to put this fine organization out of business. Do you agree with me?

ANSWER:

It is true that the Center for Fire Research has developed an outstanding reputation for carrying out technical activities that provide the scientific and technical basis to reduce the Nation's fire losses and the cost of fire protection. However, the fiscal year 1985 budget priorities for NBS were formulated with particular concern for areas where the Federal Government may be undertaking efforts that are more properly the role of the private sector and State and local governments. Fire safety has traditionally been the responsibility of State and local governments. Industry and insurance companies, too, have economic incentives to improve fire safety through research. Therefore, it was the feeling of this Administration that fire research was a good candidate for funding by the private sector and State and local governments. In addition, it should be noted that as this program is phased down, the use of the research facility in support of programs for the private sector and other Federal agencies will be explored.

GATEWAY RECEPTIONIST PROGRAM

Last year the Committee identified $255,000 for the Gateway Receptionist program. This was part of the expanded appropriation to the United States Travel and Tourism Administration. This program was not included in the recent report of implementation of Congressional directives.

QUESTION:

What are the plans of the Department with regard to the Gateway Receptionist program in fiscal 1984?

ANSWER:

USTTA has processed contracts or purchase orders to continue the Gateway Receptionist Program at all 13 international airports where the program existed in FY 1983, and to add reception services at Las Vegas and San Francisco. The services were instituted at New Orleans late in FY 1983.

QUESTION:

How much is requested in the 1985 estimates for this program, and specifically how much is budgeted for the programs at Honolulu, New Orleans, Las Vegas, and San Francisco?

ANSWER:

$255,000 is requested for the program in FY 1985; $50,000 will be allocated to Honolulu, and $15,000 each to New Orleans, Las Vegas and San Francisco.

LACK OF USTTA MATERIALS AT U.S. POSTS ABROAD

Recently the Subcommittee staff visited several of our posts in the Mid-East. Almost without exception they found no posters extolling travel to the USA, but plenty of posters for Paris and other non-U.S. locations. In Riyadh, Saudi Arabia the commercial section said that USTTA would not send them any U.S. travel materials.

QUESTION:

What program does the USTTA have with regard to supplying its materials to our posts abroad?

ANSWER:

USTTA's policy is to focus marketing efforts on activities expected to produce the greatest return in increased tourism to the U.S. For this reason, USTTA is emphasizing the use of brochures, films, Regional Office activities, travel feature articles, etc., which provide more information and incentive to the prospective visitor than can a poster. This year USTTA is conducting a major effort in these areas, including updating stocks of brochures and producing a new motivational film. We believe that, in the interest of cost-effectiveness, this is the best use of our resources.

QUESTION:

If the USTTA doesn't have sufficient materials, is there some way we can induce the states and localities to send materials to our posts abroad?

ANSWER:

Again for reasons of cost-effectiveness, individual U.S. states will normally supply posters only to countries which are known producers of visitor traffic to their areas (Japanese visitors to Hawaii; Venezuelans to Florida; Mexicans to Texas; etc.). Other posts which wish to obtain posters may contact State tourism officials directly and inform them of their needs.

QUESTIONS SUBMITTED BY SENATOR INOUYE

Question:

It has come to my attention that the National Weather Service within the National Oceanic and Atmospheric Administration has proposed various cuts for the Pacific Region effective May, 1984.

These cuts, which include staffing at NWS offices and deployment of weather buoys, clearly run counter to Congressional intent as they reduce or eliminate programs specifically included in NOAA's budget for fiscal year 1984. Moreover, these cuts could have serious consequences as they effect some of the weather forecasting services most vital to the Hawaiian Islands and the rest of the Pacific.

Could you explain why the funding levels of these programs set forth in the FY 1984 NOAA budget are being cut? Are they part of your recently released reprogramming request? If so, will this Committee's rejection of that request result in the immediate halt of plans to cut these services.

Answer:

The Committee has been provided additional information regarding the effects of the NOAA reprogramming to cover pay raises and other costs in 1984. Please refer to the response to the question for the record for Secretary Baldrige and the response for the NOAA hearing from Senator Hollings on this topic.

The funds for additional data buoys for Hawaii are not identified for reprogramming to meet pay raise requirements. The funds are available to NOAA for obligation. If NOAA determines these funds should be reprogrammed, the Committee will be notified.

The Committee has been provided a separate letter on changes in operations at Johnston Island and Hilo, Hawaii planned for implementation on May 1. Because of satellite coverage and increased commercial aircraft observations, the functions of the Johnston Island WSO are being met by other means. It has no public weather functions. For the same reasons, night time hours of operations at the Hilo WSO can be reduced. These management actions are being planned for more efficient operations and were not included in the budget request to Congress last year. Savings will be used to cover other increases in operating costs in Hawaii as well as pay.

INTERNATIONAL TRADE COMMISSION

STATEMENT OF ALFRED E. ECKES, CHAIRMAN, INTERNATIONAL TRADE COMMISSION

ACCOMPANIED BY:
PAULA STERN, COMMISSIONER
VERONICA A. HAGGART, COMMISSIONER
RICHARD D. ARNOLD, DIRECTOR, OFFICE OF FINANCE AND BUDGET

BUDGET REQUEST

Senator RUDMAN. Our next witness is Alfred Eckes, Chairman of the International Trade Commission. The Commission is requesting $28,410,000 for fiscal year 1985, an increase of approximately $7.5 million over the 1984 appropriations.

PREPARED STATEMENT

Mr. Eckes, would you introduce the gentleman at the table with you and your entire statement will be incorporated in the record in full, and we would appreciate it if you would go forth with a summary. We may have a few questions for you, and certainly will have some for the record.

[The statement follows:]

PREPARED STATEMENT OF ALFRED ECKES, CHAIRMAN
U.S. INTERNATIONAL TRADE COMMISSION

Mr. Chairman and members of the Subcommittee, I am pleased to have this opportunity to discuss with you the International Trade Commission's fiscal year 1985 budget request. I am accompanied today by my Commission colleagues; and several staff members are also present.

Mr. Chairman, the ITC is under siege. Unfair trade practices--such as dumping and subsidies--and increased competition from imports have spurred U.S. industries in unprecedented numbers to petition their government for relief. As Congress has charged the Commission with a key role in implementing its trade laws, this flood of petitions has put a tremendous strain on our resources.

The budget we are proposing for FY 1985 was fashioned to provide for a predicted upward trend in our workload, and it calls for a 10 percent increase in staff. Recent weeks, however, have shown our predictions to be too conservative. Our caseload, already expanding significantly in the first quarter of FY 1984, ballooned in January and February, as major industries such as steel, copper, footwear, and tuna filed cases under section 201.

It is obvious now that the 10 percent staff increase will be needed immediately if we are to cope with our workload. Therefore, since submission of our FY 1985 budget justification, we have taken two actions: first, we prepared a supplemental request for FY 1984 which would fund the 10 percent staff increase (and associated costs) on a partial-year basis; second, we amended the FY 1985 budget request, adding $258,000 to allow for the fact that the additional staff will be on board at the beginning of the fiscal year.

With this amendment, the Commission FY 1985 budget request totals $28,410,000. If we assume that the Commission will receive the FY 1984 supplemental for staff increases ($800,000) as well as a supplemental for cost-of-living pay increases ($464,000) the FY 1985 request is $6,372,000 more that the total funds to be provided in FY 1984.

The Commission has long had a reputation for fiscal responsibility. We would not come to you with a request of this magnitude if we did not believe the increased funding was vitally necessary. We face two extraordinary challenges in this and the coming fiscal year: we must handle our escalating workload without diminishing the quality of our research or the thoroughness of our investigations; and we must find a new home for the Commission and relocate with a minimum of disruption to our operations. The second challenge accounts for 55 percent of the increase we are requesting. I will discuss this problem further in a moment.

First, let me expand on our need for additional staff. The Commission has been operating with the same authorized staff level of 438 since 1980. During the years since 1980, our investigative caseload has mushroomed, increasing 82% between FY 1981 and FY 1983. The figures for FY 1984 are even more impressive. By the end of the first quarter of this fiscal year, our caseload (completed and pending cases) had climbed to nearly 90 percent of the caseload for all of 1981. New filings during the first quarter of FY 1984 were 130 percent more than the total during the same quarter of FY 1981.

Until December 1983, the growth in caseload involved primarily Title VII antidumping and subsidy cases and unfair trade cases under Section 337, a highly specialized area involving patents, copyrights and trademarks. Section 337 filings in particular took a big jump during the first quarter of FY 1984, increasing to 13 from the three cases filed during the first quarter of FY 1983. This rate of increase has continued, as an additional seven cases were filed during January and February for a total of 43 pending 337 cases. We have had to hire two temporary Administrative Law Judges and support staff and also make arrangements to lease additional space to cope with the added burden in just this one area.

December brought the first "escape clause" case under Section 201 for this fiscal year. This has now been joined by four others. These investigations, although they do not involve the severe time pressure that preliminary Title VII cases do, are much broader than Title VII investigations and impose much more strain on Commission resources. We must devote considerable staff effort to Section 201 investigations in FY 1984.

What does the Commission expect in FY 1985? Frankly, we expect the parade of lawyers to our docket room with petitions and complaints to continue. There has been an upturn in the U.S. economy, but the trade deficit increased to $69 billion in calendar year 1983, and the Council of Economic Advisers estimates a $110 billion deficit this year.

The strong dollar is one factor in the deteriorating trade balance. Also, many newly emerging industrial nations with low labor costs and modern industrial facilities are proving increasingly competitive in the U.S. marketplace. A conservative assumption is that each $1 billion increase in the trade deficit costs 25,000 jobs. In the face of such losses, industries undoubtedly will continue to seek relief from foreign competition.

As you are aware, the Commission's responsibilities include more than the quasi-judicial investigations I have mentioned. One of our primary responsibilities is to provide Congress and the Executive with research data and independent expert advice to assist them in carrying out their authority to regulate trade. As trade has assumed increasing importance to the nation, Congress and the President have requested more research from the Commission under Section 332. Under way now are 332 studies on topics as varied as the industrial mold industry, the furniture industry, fabricated steel, and foreign industrial targeting. We recently received a request from Congress to look into the problem of imported goods produced by prison labor, and one from the President to assess the probable effects of a free trade area with Israel.

We also believe that it is a Commission responsibility to anticipate some of the trade problems Congress and the Executive will face and to provide research to support further policy making. During FY 1983, we self-initiated studies on such subjects as the robotics and the petrochemical industries and trade-related employment. As the Commission experiences pressure in other areas of its work, it can postpone self-initiated studies. However, 332 requests from Congress and the President must be answered in a timely fashion. We expect increased activity in the 332 areas in this and the next fiscal year.

Studies under 332 are not the only avenue through which the Commission supplies Congress and policy-making agencies with information and technical expertise. For example, during FY 1983, the Commission devoted significant staff resources to the Harmonized Commodity Code draft conversion, submitted to the President in June, and to preparations for international trade negotiations on that Code. Over the next few years, as the conversion process goes forward, the Commission will be called upon to provide both Congress and the Executive with assistance on this complex matter. During the past year, the ITC also provided extensive assistance in developing a GATT work program in services. In FY 1985, we will continue this type of effort and our involvement in Trade Policy Staff Committee activities.

In addition, there are the periodic reports that Congress expects from the Commission as its principal trade monitor. The Commission's analysts report quarterly on the shifting patterns of exports and imports in specific commodities and on developments in East-West trade. We also periodically report on trade in motor vehicles, chemicals, steel, and other commodities as directed by Congress or the President.

To maintain high quality in the full range of Commission activities requires a dedicated and highly trained staff. As our workload has accelerated, we have tried to modernize our data and word processing capabilities to improve staff output. We also have shifted staff resources to those areas experiencing the most pressure. Now we have reached the point where the effects of the workload increase are being felt throughout the Commission, and staff shifts will no longer solve our problem.

Illustrating this pervasive effect, the dockets operation of the Office of the Secretary processed 3000 documents in the first quarter of FY 1984, compared to 8000 for all of FY 1982. Publications issued by the Commission during the first quarter of this year totaled over half the number for all of FY 1982.

The Commission can not perform the tasks set for it in FY 1984 and 1985 with the staff level allocated to it in FY 1980. Therefore, we are requesting a 10 percent staff increase (44 persons) for a total staff level of 482. In addition to salaries, new staff will require funds for office space, equipment and supplies, training, and so forth. This has been included in the $1,709,000 we are requesting for the 44 positions.

If Congress approves a supplemental appropriation for FY 1984, we will begin immediately to recruit for these positions, and would expect to have a majority of them on board the beginning of July. As you may be aware, recruiting for any of the technical, professional positions for which we do not have delegated examining authority requires an inordinate amount of time.

The hurdles erected by OPM are enough to discourage the most persistent employer, but we have no choice but to persevere. The investigations we are confronting involve increasingly complex technologies. As they also involve business confidential data, we can not engage consultants to do the work. We must find and/or train in-house specialists.

The largest single increase in our FY 1985 budget request is $3,522,000 to cover costs of relocating the Commission. As you may recall, during the Commission's appearance last year before this Subcommittee, I raised the issue of the need to substantially repair the Commission's historic headquarters building. Both our House and Senate authorizing committees have been very supportive; and the General Services Administration has made, or is making certain basic repairs. Most of these are cosmetic, however, as GSA intends to transfer the building to the Smithsonian Institution in the near future.

In June 1983, the Senate passed a bill which would accomplish this transfer. The bill specified that the Commission would be consolidated in a downtown District of Columbia location jointly determined acceptable by GSA and the Chairman of the ITC. Similar legislation was pending in the House at the end of the last session; and we understand that the appropriate House Committees will take up the matter again this session in an effort to complete congressional action on the transfer before adjournment.

In the meantime, GSA has been working with us to prepare a prospectus request to the House Public Works Committee to authorize acquisition of office space for the Commission. We expect that both the bill and prospectus will be acted upon in this session and that FY 1985 will be the year the Commission moves to a new permanent headquarters building.

To summarize, the Commission is asking for a substantial funding increase in FY 1985, and additional funds in FY 1984, to support its spiraling workload. If Congress expects the Commission to vigorously administer its trade laws during this difficult period, it must give us the resources we need to accomplish our mission effectively.

This concludes my statement, Mr. Chairman. The staff and I will be pleased to answer any questions you may have.

INTRODUCTION OF ASSOCIATES

Mr. ECKES. Thank you, Mr. Chairman. I am pleased to have this opportunity to discuss with you our fiscal year 1985 budget request. At the front table with me is Richard Arnold, our budget officer. Directly behind me are two of my colleagues, Commissioner Paula Stern and on her left Commissioner Veronica Haggart. We have three of four members of the Commission here this morning.

In the interest of brevity, let me offer a brief summary for the record.

CURRENT WORKLOAD REQUIREMENTS

Mr. Chairman, the International Trade Commission is under seige. Unfair trade practices, like dumping and subsidies, and increased competition from imports have spurred U.S. industries in unprecedented numbers to petition their Government for relief.

Congress has charged the Commission with a key role in implementing this Nation's import relief laws, but the flood of petitions threatens to overwhelm our capacities and jeopardize our abilities to justify complaints and render determinations.

The budget we are proposing for fiscal year 1985 was fashioned to provide for a predicted upward trend in our workload, and it calls for a 10-percent increase in staff. Recent weeks, however, have shown our predictions to be too conservative. Our caseload, already expanding significantly in the first quarter of 1985, ballooned in January and February, as major industries such as steel, copper, footwear, and others all sought relief under the escape clause, section 201.

It is obvious to me now that the 10-percent staff increase will be needed immediately if we are to cope with our workload. Consequently, since submission of the fiscal year budget justification for 1985, we have prepared and submitted a supplemental request for fiscal year 1984, which would fund the 10-percent staff increase on a partial-year basis.

Mr. Chairman, the Commission has had a long reputation for fiscal responsibility. As you know, our oversight committees often consider this agency, which is an independent one, an instrument of Congress, because we do a great deal of factfinding and technical work for them and for other committees of Congress.

In my judgment, if we are to meet our judicial responsibilities and provide technical assistance for Congress and the executive, we must have more resources, and we need the resources immediately.

It is not easy for someone like myself, who considers himself a fiscal conservative, to ask for additional funds. But with our trade deficit soaring, requests for import relief climbing, I simply must request the resources necessary for the agency to do the job.

Mr. Chairman, that concludes my summary of our statement. I would be delighted, together with other members of this staff, to respond to any questions you may have.

Senator RUDMAN. Thank you very much. I appreciate your candid, direct statement. I don't think there is any question about what you just said. I think obviously the facts support what you said.

All of us in the Congress are aware there are enormous pressures from our many corporate constituencies to have you intercede on behalf of various industries. We know it is multiplying. Let me go through a few specifics on this request.

Last year, you requested some money, I guess, $3 million, to move from your present location to another one. There were some problems in identifying the building. Have you got that problem under control? You renewed your request. Are you going to be able to tell us where you are going?

RELOCATION OF THE COMMISSION

Mr. ECKES. We are requesting the funds for fiscal year 1985. At the moment, we do not know where we are going, but there was an article in last Saturday's Washington Post real estate section which indicated the GSA was negotiating for a building around 13th and New York Avenue and we were one of several agencies mentioned as possible tenants. That is certainly not the only location that is being examined, but I use that as an illustration how on the record there are examples of GSA looking for something that would suitably house the Commission in a downtown location, unifying all our operations under one roof.

Senator RUDMAN. How big an operation would this be in terms of square footage?

Mr. ECKES. I think the prospectus we worked out with GSA would basically provide for 133,000 square feet.

FISCAL YEAR 1984 SUPPLEMENTAL AND FISCAL YEAR 1984 AMENDMENT

Senator RUDMAN. You are requesting 44 additional positions in 1985 and have a supplemental which you just addressed yourself to. Are there additional program areas that are going to receive the majority of the enhancement, or is it going to be right across the board?

Mr. ECKES. To an extent, it is across the board, but because of the ballooning caseload over the past few weeks and months and anticitpated increases in certain areas of our work, I can say that 89 percent or 39 positions are going to be directly involved in investigations or litigation in support of those investigations and the others would be in staff support positions, such as, let's say, those who edit our publications.

INVESTIGATIONS UNDER SECTION 337

Senator RUDMAN. Many of your investigations under 337 of the act involve the counterfeiting and importation of items ranging from clothes to computers. Is this becoming a more serious problem? If your answer to that is yes, what authority do you have to take action against the importers of counterfeit goods?

Mr. ECKES. That is an excellent issue to touch upon, Senator. Our Commission was, I think, the first Government agency to become actively involved in assessing the dimensions of the counterfeiting problem.

Earlier this year in January, we prepared a further study on the effect of foreign counterfeiting on foreign industry. We concluded in the course of our investigation, which involved public hearings and questionnaires to various businesses, that some $6 billion to $8 billion in sales were being lost to the U.S. corporations both domestically and abroad because of product counterfeiting. We would estimate that perhaps somewhere in the range of 131,000 jobs could be affected, though the figure may be slightly higher or slightly lower, depending on the precise multiple that one uses, but that is a fair estimate.

What can we do about it? We have authority under section 337, which you alluded to a few moments ago. Parties can come in and file complaints alleging that certain unfair acts, such as violations of patents, trademarks, copyrights and the like, are injuring or tending to injure a domestic industry. These are quasi-judicial proceedings which are held under the auspices of the Commission. An administrative law judge will preside over the case, using the same rules of evidence as in the courts.

Basically, the advantage of coming to the ITC under this provision is that the remedy, if there is one, will be available in 12 months—18 months in exceptionally complicated cases—whereas if one were to take the same case into the Federal courts, it could be 2 to 3 years before one got a judgment, and then one would be at the same court of appeals, the new court of appeals for the Federal circuit, to which our cases are appealed, if they are appealed.

One other difference, which is significant, is that we are in the position to issue a general exclusion order, essentially cutting off the goods at the waterfront, whereas the Federal court proceedings do not lead to a general exclusion order against all goods that might be in violation.

If I might add one final sentence, Senator, that 337 area is growing at a phenomenal rate, perhaps to some extent affected by the growing number of incidences of counterfeiting.

Last year in the first quarter, that is the first quarter of fiscal year 1983, we had three filings under that statute. During the first quarter of this year, we had 13 filings. The caseload has been increasing something like 70 percent compounded on an annual basis. As a consequence, we have had to add administrative law judges on a temporary basis from other Federal agencies, and severely tax our facilities.

Senator RUDMAN. How do you recruit your administrative law judges?

Mr. ECKES. Its not easy because of the requirement they need some background of patent law or some background that would allow them to pick up the skills. Through the Office of Personnel Management, there is a panel of administrative law judges available in other agencies, and we turn to that to look for potential candidates. We could recruit on the outside, too, but at this point, we have not done so.

Senator RUDMAN. I think that would be a particularly difficult recruitment.

Mr. ECKES. Yes.

HARMONIZED COMMODITY CODE

Senator RUDMAN. The statement you submitted to the committee indicates a need for additional resources for what the Commission refers to as work on the Harmonized Commodity Code conversion. I guess you can sing different notes and have it sound good; I guess that is what you are saying.

This subcommittee has jurisdiction over the U.S. Trade Representative and the Commerce Department. You might tell us how your agency sees this, and how you interact with the other two. When you get this thing put together, how are you going to convert?

Mr. ECKES. Actually, that is an important item and apt to be on your agenda within a year or so, if the U.S. Trade Representative brings forward a long-discussed plan for harmonizing the international customs system.

Basically, what would emerge out of this long exercise is a single system for describing goods that enter the United States and other countries. Up until this point, the Europeans have had one system based on the old Brussels system. The United States had a different one. If I recall, the Japanese and Canadians had slightly different variations of their own.

In order to bring customs transactions into the electronic computer age, having a common system for describing goods and developing statistics will have considerable advantages, the experts say. Since the mid-1970's, the Commission at the direction of the Congress has been at work converting essentially the current tariff schedule of the United States into the Harmonized Code that was developed in Brussels.

We completed our work on conversion last June. The Trade Policy Staff Committee works under the direction of the U.S. Trade Representatives in viewing the work, very technical—I don't pretend to know the specific details of the tariff conversion schedules, but they are going to bring out a revised conversion presumably this July. Then they will be, I think, deciding whether to bring it to Congress.

There will probably have to be other negotiations with all the other parties to the Harmonized Code so they can essentially bring the tariff concessions that have been made under previous rounds of negotiations in concordance with the Harmonized Code. Potentially, this will lead to the most important rounds of tariff negotiations in the 1980's on a very technical area; it is of great importance to exporters and importers and to Congress and agencies, like ourselves, because of the common statistics that will emerge out of it.

PROPOSED DEPARTMENT OF INTERNATIONAL TRADE AND INDUSTRY

Senator RUDMAN. On a somewhat allied matter, you know the administration proposes to merge trade functions together in a new Department of International Trade and Industry. Although you would not be directly affected by its creation—you certainly are an expert in the area, at least we hope you are an expert in the area—would you care to comment on your own personal opinion as to that idea? Do you think that is a good idea or not?

Mr. ECKES. I would have to offer a personal perspective on it because my colleagues have not taken a position and they might have their own views on it. Let me put it this way: from the vantage point of our agency, we were created by Congress essentially because, as you know, under article I, section 8 of the Constitution, Congress has the authority to regulate commerce. In the course of the 19th Century, there were enormous tariff battles. Basically, Congress wanted to put some of these technical issues in an independent place where there would be a group of experts who would evaluate them on their merits. So the Commission was created in 1916.

I won't pretend we solved all the tariff problems that emerged, but we do a lot of technical work for the committees that write our tariff schedules—Senate Finance and House Ways and Means. From their vantage point, it is the perception that agencies like our own, if they were merged into a Department of Commerce, or DITI, as I think the acronym is, there would be some question about whether the statistics and information and analysis they were obtaining reflect an administration perspective or whether they were tailored to meet the specific needs of the oversight committees.

I think that is one reason that both the administration chose not to include us in the proposed DITI and also that the oversight committees have resisted it. It seems to me if we were merged in a Department of Commerce and Industry, essentially Congress would be saying it is preparing now to delegate its tariff writing and trade-related responsibilities to a greater extent to the administration. But this would be a contradiction to the whole history of the last decade in which Congress acted to strengthen our independence from the administration so that our budget is submitted directly to you, Members of Congress, and we are represented in the courts by our own attorneys.

Even the Federal Reserve is dependent on the Attorney General for representation in the courts.

Senator RUDMAN. You have your own independent representation?

Mr. ECKES. Yes, we do.

APPROPRIATION LANGUAGE CHANGES

Senator RUDMAN. Let me go from that to a much more mundane matter to wind up the hearing. You are requesting a change in the appropriations bill language to allow for the rental of office space in the District and for $2,500 for reception and representation expenses. Can you tell us why these changes are necessary? It is nice to refer to a number we can all understand.

Mr. ECKES. The first one would essentially allow us to rent hearing room space when we have an overflow, and during the period of transition when we are relocating in the event we didn't have something suitable that was prepared for our use.

The second with respect to the representation allowance—over the past couple of years, we have been having more and more foreign visitors come to the Commission, not to negotiate with us, because we don't negotiate, we are a quasi-judicial agency, but to learn about our procedures and make statements which all go in the public file. We have not been able to entertain them to any degree. We haven't been able to provide coffee and donuts. I reach in my own pockets and my colleagues do. It so happens, Senator, I like to bake, and when I had a Minister of Commerce of a major trading partner in town recently, I baked cookies and served them to him.

Senator RUDMAN. You have had none of that in your budget heretofore?

Mr. ECKES. Never had it before, but we have never been that visible. Now we are being inundated from all quarters.

SUBMITTED QUESTIONS

Senator RUDMAN. We want to thank you very much for appearing before the subcommittee. I want to state to you that you are a very good witness. You answered the questions directly and candidly. I appreciate your directness because it does save us all, including you, some time.

The subcommittee has additional questions which we will submit for your response. They will be inserted at this point in the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

International Trade Commission

1. Question

A draft prospectus has been prepared that proposes the consolidation of the ITC in one building in Washington, D.C.

The prospectus assumes costs of $28 per square foot for space, while the current costs are $6.86 per square foot.

a) How was this new figure arived at?

b) How does this figure compare with costs in private buildings in the general location assumed for the new ITC quarters?

Response:

a) The Commission's fiscal year 1984 costs for office and related space currently occupied are projected at $11.29 per square foot. The $28 per square foot rate included in the draft prospectus by the General Services Administration is an average based on their findings that leased space in downtown Washington is costing between $15 and $35 a square foot in 1984.

b) The General Services Administration, being the "expert" on these matters for the government, states in their prospectus that a lease for consolidation of the Commission could be negotiated within a $15 to $28 per square foot cost in the area of downtown Washington, D.C., which would be suitable for relocating the Commission (i.e. northwest Washington between 15th Street on the west, North Capitol Street on the east, K Street and Massachusetts Avenue on the north, and the Southwest Freeway on the south).

2. Question

Of this increase in space needs of 32,000 square feet, 28,000 square feet will be for special use and storage space. What are the needs associated with this increase?

Response:

It is recognized that a request for consolidation of agency facilities usually provides an opportunity to decrease the overall square footage assigned. Such is not the case in a consolidation of ITC. The ITC, over the 60 years of its existence, has undergone a substantial growth in its needs for additional space for major word and data processing systems, and the need for more special-use space such as hearing rooms, libraries, and a public docket exhibit area. Space for both offices and special use needs have been deficient for several years, and have not been addressed because of the uncertainity over whether the ITC Building would be renovated for ITC's use.

The ITC has a history of space efficiency. In the mid-seventies, the ITC exchanged approximately 20,000 square feet of space in the Bicentennial Building for 4600 square feet at the Waterfront Center. In order to achieve the efficiencies of on-site location of printing supplies, documents for distribution, exhibits, and the like, the ITC has made use of hallways, numerous alcoves, and the historic sub-basements of its main building. The ITC has also utilized systems furniture to squeeze an inordinate number of high-level professionals into a historic structure at the cost of employee productivity and morale, as well as an impaired ability to meet and confer with the public in a confidential setting.

Special use space needs include the following:

Public Docket Exhibit Area — additional space for use by the Commission, the public, and by other government agencies to file the variety of required legal documents called for under the several statutes governing ITC operations, which/must be made available to all for legal research.

Automatic Data Processing Area — the existing ADP area is insufficient. Additional space is required to allow for the storage of sensitive equipment and supplies, and approximately 1500 data tapes as well as printouts. This will allow the ITC to effect the benefits of bringing inhouse several trade databases which are currently run in timeshare situations, and to effect many affiliated colocation efficiencies.

Meeting Room and Hearing Room — the existing Commission Meeting Room space used for those meetings held under the auspices of the "Sunshine Act", needs to be expanded to allow for larger public attendance.

Average attendance at ITC hearings has grown to approximately 150. Large hearings approach 350 with overflow into adjacent anterooms. An increase in this space is required to provide for the addition of a third Administrative Law Judge, as well as a change in the ITC's Policy and Procedures for Practice Before the Commission which allows for the Commission's use of Presiding Officers in certain prehearing situations. It is possible with new personnel and policy changes to foresee as many as five hearings taking place at one time.

The remainder of the space is required for needed services such as equipment storage, projection room, audio and video setup room for the media (currently done in hallways), and witness and caucus room.

Conference Rooms — the ITC, as has been previously discussed, is a predominantly professional organization. Each professional has assigned responsibilities for commodity, technological, and/or geographical areas which generate needs for conferences or working meetings, These meetings can be requested by the ITC or can be at the request of the President, the Congress, other Federal establishments, or domestic or foreign business. The content of said meetings normally address the highest levels of confidential business matters, trade secrets, marketing strategies, as well as Government data up to the level of SECRET.

Libraries -- the ITC has two separate libraries; the Law Library which houses those international trade materials which are peculiar to case law, precedents, and the codification of proceedings, within the usual as well as several specialized courts; and the National Library of International Trade which houses data on domestic and international trade across the broadest possible spectrum of subject matter. Both libraries, in addition to serving the ITC are available to other government agencies and the public. Both libraries have made the fullest use of state of the art technologies such as on-line reference service and microfilm/fiche and require separate sections for periodicals, microfilm/fiche, and reference materials.

Printing Plant Area — the ITC currently houses its printing plant on the basement floor and in the basement hallways of the ITC Building.

The Printing Plant requires space with rigid environmental controls that will house its printing equipment. electronic reproduction equipment, graphics design, microfilming facility, combustible storage, paper supply, and distribution preparation areas.

Emergency Washdown Facility — for the printing plant area.

3. Question:

Please provide a copy of the draft prospectus for the record.

Response:

On March 12, 1984, Mr. Ray Kline, Acting GSA Administrator, submitted a prospectus to the Office of Management and Budget for its review which would consolidate all of the ITC operations at a downtown Washington, D.C. location. A copy of the prospectus as it was sent to the OMB is enclosed for the record:

PROSPECTUS NUMBER: PDC-84016

ITC CONSOLIDATION
WASHINGTON, DC

Estimated Cost Range:
$15 to $28 per sq. ft.

1. PROJECT SIZE, COST, OCCUPANTS:

Recommendation:	New Lease
Occupiable Area:	133,000 square feet and 10 parking spaces
Occupants:	U.S. International Trade Commission
Current Total Annual Cost:	$689,637 ($6.86 per sq. ft.)
Lease Expiration Date:	February 28, 1986
Proposed Lease Term:	10 years including options
Estimated Annual Cost:	$3,724,000 ($28.00 per sq. ft.)
Total Estimated Cost:	$37,240,000 (10 years)
Current Office Utilization Rate:	158 sq. ft. per person
Proposed Office Utilization Rate:	148 sq. ft. per person

2. DESCRIPTION OF PROPOSED PROJECT:

The U.S. International Trade Commission (ITC) occupies 100,575 square feet of space, excluding parking and warehouse space, at three downtown Washington, D.C. locations: the U.S. International Trade Building (Tariff building), the Bicentennial Building, and the Waterfront Building. Passage of pending legislation will transfer the Tariff Building from the General Services Administration (GSA) to the Smithsonian Institution. This transfer will require relocation of the ITC functions in the building and presents an excellent opportunity to consolidate all ITC functions to improve space utilization, effectiveness and efficiency of operations and decrease the administrative costs and duplication of services inherent to multiple locations.

Approval of this prospectus will reduce the total number of ITC office locations from three to one. Existing warehouse space will be unaffected by the consolidation while all other ITC activities will be consolidated in a newly leased facility.

PROSPECTUS NUMBER: PDC-84016

2. DESCRIPTION OF PROPOSED PROJECT: (cont'd.)

This request represents an overall increase in ITC space of approximately 32,000 square feet of which 4,000 square feet is office space and the remaining 28,000 square feet is special use and storage space. This increase in space is based on: (1) a projected increase in personnel from 511 in Fiscal Year 1984 to 575 in Fiscal Year 1985; (2) plans to increase the ITC professional staff's productivity and analytical capabilities by providing advanced ADP systems with approximately one terminal for every four professionals; and (3) a substantial growth in ITC's needs for additional special-type space such as courtrooms, hearing rooms, libraries, public docket exhibit areas, and document storage areas. In order to achieve the efficiencies of on-site location of printing supplies, documents for distribution, exhibits, and the like, the ITC has made use of hallways, numerous alcoves, and the sub-basements of its main building.

The utilization rate for office space occupied by ITC will drop 6.3 percent, from 158 to 148 occupiable square feet per person. The exact utilization rate will be determined by layout and building configuration. This utilization rate, slightly higher than the goal of 135 square feet per person, is necessary for ITC. Approximately 70% of ITC personnel are attorneys, economists, commodity-industry analysts, or investigators having daily access to proprietary, confidential information on domestic and foreign businesses and major corporations. Much of this information is highly sensitive and includes trade secrets and marketing strategies. The nature of ITC's mission requires that the confidentiality of this information be preserved, not compromised by the large, open work spaces required to achieve low utilization rates, and dictates that the building as a whole,plus conference, meeting, and courtrooms be appropriately secured.

The GSA asks that the Congress authorize the negotiation and award of a lease for 133,000 occupiable square feet of space based on the fair annual rental of the space as determined by an appraisal and without an annual rental limitation. The lease may contain an annual escalator clause to provide for increases or decreases in real estate taxes and operating costs. In addition, GSA will attempt to negotiate a purchase option and will include it in the lease. Approval of this prospectus will constitute authority for up to 10 years of leasing, including the intitial term and any renewals or succeeding leases as required.

Over the past year, the Washington, D.C. commercial real estate market has begun to soften due to a decrease in demand and an increase in available space. The office space vacancy rate in downtown Washington increased from 2.7 percent in December 1981 to 14.0 percent in June 1983, and may continue to rise.

The cost to lease space in downtown Washington is expected to be between $15 and $35 a square foot in 1984. However, this cost range includes the rates for the most prestigious and desirable area of downtown Washington, used by law firms, lobby groups, and professional organizations. Given the wide availability of space in other areas of the city, GSA believes that a lease for the consolidation of ITC can be negotiated within a range of $15 to $28 per square foot.

PROSPECTUS NUMBER: PDC-84016

4. DISCUSSION OF ALTERNATIVES:

Use of Government-owned space : No space is available or expected to be available for this use during the proposed lease term and there are no plans for design or construction of Federally-owned buildings in Washington, D.C. over the next five years. However, as other Federal agencies review their space requirements in response to personnel, budget, and utilization rate reductions, it is possible that some space could be returned to the inventory. Even so, it is expected that any blocks of space returned will be relatively small. In the unlikely event that a block of space of sufficient size to meet ITC needs is returned, GSA will review ITC requirements to determine the feasibility of accomplishing the consolidation without leasing additional space.

Federal construction: The estimated 1984 cost to construct an amount of space equivalent to the proposed lease is $30,122,000 (including land cost). There is no Federal construction presently underway in the Washington, D.C. area.

Acquisition of leased space: RECOMMENDED
This is the only feasible alternative because of the unavailability of Government-owned space for meeting ITC's need for consolidation.

A present value analysis was not prepared since there is no practical alternative to leasing.

5. STATEMENT OF NEED:

It has been determined that (1) the Government's need for space in this area cannot be satisfied by existing Government-owned property and, (2) to satisfy these space needs, GSA must solicit offers to lease space from the commercial market. GSA plans to include a purchase option in the lease under which the Government could purchase the leased premises at a fixed price at varying times, for example, at the end of the firm term or renewal period.

Submitted at Washington, D.C. on ______________________________

Recommended: ______________________________
Commissioner, Public Building Service

Approved: ______________________________

U.S. ITC
CONSOLIDATION
WASHINGTON, DC

HOUSING PLAN
(as of October 1983)

PROSPECTUS NO.: PDC-84016

A. SPACE TO BE VACATED	SQ.FT.	PERS.	ANN.COST.	LEASE EXPIR.
U.S. ITC Bldg.[1] 701 E Street, NW.	77,070	419	$454,496	N/A
Bicentennial[2] 600 E Street, NW.	18,890	83	$156,006	02/28/86
Waterfront Bldg.[3] 1010 Wisconsin Ave, NW.	4,615	9	$ 79,135	10/21/87
Subtotals:	100,575	511	$689,637	
Inside Parking[4]:	7,013	0	$ 12,500	
TOTALS:	107,588	511	$702,137	
B. SPACE TO BE ACQUIRED:				
New Leased Space	133,000	575	$3,724,000(est.)	N/A

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[1] To be transferred to the Smithsonian Institution.
[2] Retain and reassign; potential tenants include DOL and HUD.
[3] Delete from inventory.
[4] 20 spaces in Bicentennial.

4. Question:

Costs associated with the anticipated move of the ITC include SLUC of $1,033,000. However, that charge is assumed for 143,900 square feet, while the draft prospectus assumes 133,000 square feet. What are the cost savings associated with this reduction?

Response:

At the time the budget request was prepared the space requirements under discussion between the Commission and the General Services Administration centered around 143,900 square feet. With final completion of the prospectus the total space requirements were reduced to 133,000 square feet. As our budget included an increase for the additional space at an estimated $25 per square foot, this would appear to reduce the requirement by $272,500. However, the total amount included in our fiscal year 1985 budget request for SLUC is $2,763,000 — and this total amount may not be sufficient to provide for the GSA recommended 133,000 square feet at the GSA estimated price (between $15 a square foot to $28 a square foot). The estimated annual rental cost reflected in the prospectus is $3,724,000. Since the actual SLUC requirement for fiscal year 1985 can only be determined when (1) a suitable location is agreed upon and (2) the time of the relocation becomes certain. We have estimated that $2,763,000 will cover SLUC costs for fiscal year 1985 and any further increase would probably not be needed to annualize rental costs until fiscal year 1986.

5. Question:

The ITC is proposing a program supplemental of 44 positions in 1984, to be annualized with a budget amendment in 1985. What are the needs that have generated this request?

Response:

The Trade Agreements Act of 1979 directed the Commission to make 45 day "reasonable indication of injury" tests in both countervailing duty and antidumping cases. Prior to the enactment of this legislation, the Commission only made preliminary investigations in certain antidumping cases. These investigations, which were completed in 30 days, were much less complex and labor intensive than those currently being conducted.

The Trade Agreements Act also provided for court review of Commission decisions in dumping and countervailing duty investigations. This has added considerably to our recordkeeping and documentation burdens. In addition, the 1979 Act provided for the release of certain data on U.S. producers' operations under protective order. This, too, has required more of an administrative burden than might have been anticipated.

Another major legislative change affecting the Commission's workload was the requirement in the Trade Act of 1974 that all section 337 investigations concerning unfair import practices, such as those involving patent, trademark, and copyright violations, be conducted in accordance with the Administrative Procedures Act. This change required that a record proceeding with full discovery processes be conducted prior to a decision by the Commission. These cases, which are tried before an administrative law judge, are reviewed by the Commission, and, again, the Commission's final decision is appealable to the courts. The effect of conducting 337 investigations under the Administrative Procedures Act, coupled with the surge in the section 337 caseload, has a major impact on the Commission's manpower requirements.

The workload increase is being felt throughout the Commission. For example: (1) documents formally filed with the Commission, which totalled 8,000 in fiscal year 1982 and 10,000 in fiscal year 1983, were in excess of 3,000 for the first quarter of fiscal year 1984; and (2) publications issued by the Commission, which totalled 174 for fiscal year 1982 and 228 for fiscal year 1983, were up to 91 for the first quarter of fiscal year 1984 (reflecting the increased caseload).

The increase in the Commission's investigative caseload is summarized in the following table:

Fiscal Year	Investigative Caseload 1/	Authorized Positions
1981	146	438
1982	340 2/	438
1983	266	438
1984(1st quarter)	130	438

1/ Includes completed and pending cases.
2/ Includes 92 carbon steel cases which could be packaged for investigative purposes

6. Question:

What is the vacancy rate assumed for the 44 positions in 1985?

Response

The Commission initially budgeted for a 16% lapse rate for the 44 new positions being requested for fiscal year 1985. This was based on the assumption that recruitment procedures would begin prior to fiscal year 1985 so that the needed staff could be brought on board as quickly as possible if the increase was approved.

Based on the fiscal year 1984 supplemental request and the fiscal year 1985 amendment, we now expect the 44 positions to be fully staffed for the entire year.

7. Question:

The ITC is proposing a change in its appropriations bill language to allow the rental of conference rooms in the District of Columbia. Why is this change needed?

Response:

The language change allowing the Commission to rent conference or hearing space in the District of Columbia results from the increased caseload activity, and is not associated directly with the relocation; however, the need may be heightened during the relocation due to temporary dislocations. Increases in the caseload have resulted in situations where several hearings and formal conferences are held on the same day, causing an "overflow" situation for the Commission's facilities. When this happens, our first approach is to use other Federal hearing facilities. Recently, there was some question whether other Federal facilities would be available because of the host agencies' own requirements. Consequently, we seek this language as backup in the event our staff cannot locate such facilities. We will attempt to minimize our needs by arranging for other Federal facilities and managing hearing room relocation.

8. Question:

The ITC proposes to use up to $2,500 for official reception and representation expenses. Give specific examples of how this could have been used in the past, and how it could be used in the future?

Response:

The Commission does not keep a record of the money spent for entertaining the representatives of foreign governments since no Federal funds are used for this purpose at present. As there is no representation fund to draw upon, the Commission is unable to provide refreshments for large groups such as the embassy officials who attended a briefing in FY 1983. Occasionally the Chairman, individual Commissioners or senior staff members entertain small groups at their own expense. It is customary in many countries to extend such courtesies to Commission members, and we believe the Commission should be in a position to reciprocate on an official basis.

9. Question:

On page 8 of the justification, the ITC assumes an adjustment to base of $423,000 for a GSA space rental increase. Is this increase assumed for the present quarters, and is it a full year cost? Why is this request being made if the ITC will be moving in 1985?

Response:

The $423,000 increase requested on page 8 of our budget justification is based upon GSA projected fiscal year 1985 SLUC rates for our current space, and establishes the new fiscal year 1985 base. This amount, plus the difference required due to Commission relocation in fiscal year 1985, constitutes the total SLUC request. As explained in the response to an earlier question, the Commission's total fiscal year 1985 budget for space rental amounts to $2,763,000, and in itself may not be sufficient to meet the full-year costs estimated by GSA for the recommended 133,000 square feet the Commission will occupy subsequent to relocation.

10 Question:

Other than increases associated with carbon steel cases, what has been the caseload increase for both antidumping and countervailing duty petitions from FY 1979 through FY 1983, and the projected increases in FY 1984 and FY 1985?

Response:

Antidumping and countervailing duty cases, excluding those associated with carbon steel, initiated by the Commission from fiscal year 1979 through fiscal year 1983, and projected through fiscal year 1985 are as follows.

Year	Cases Initiated
FY 1979	35
FY 1980	113
FY 1981	45
FY 1982	88
FY 1983	90
FY 1984 est	144
FY 1985 est	144

11. Question:

What studies are currently being conducted under Section 332?

Response:

The Commission currently has 12 section 332 investigations underway as shown below. Seven of the studies were requested by the Congress, three by the President, and two were self-initiated by the Commission.

TITLE	ORIGIN
Foreign Industrial Targeting & Its Effect on U.S. Industry Phase II, the European Community and Member States	House Ways and Means
China's Economic Development Strategies and their Effects on U.S. Trade	USITC
Competitive Conditions Relating to the Importation of Industrial Molds into the United States from Canada	House Ways and Means
Competitive Assessment of the U.S. Wood and Upholstered Household Furniture Industry	House Ways and Means
Changes in the U.S. Telecommunications Industry and the Impact on U.S. Telecommunications Trade	Senate Finance
Conditions of Competition Affecting the Northeastern U.S. Groundfish and Scallop Industries in Selected Markets	President
International Developments in Biotechnology and Their Possible Impact on Certain Sectors of the U.S. Chemical Industry	USITC
Competitive Assessment of the U.S. Foundry Industry	President
U.S. Imports of Goods Manufactured by Convict, Forced, Or Indentured Labor	Senate Finance

TITLE	ORIGIN
The Impact of Tariff and Nontariff Barriers on the U.S. Sheet Vinyl Flooring Industry	House Ways and Means
Propable Economic Effect of Providing Duty-Free Treatment for Imports from Israel	President
Conditions of Competition Between Certain Domestic and Imported Fabricated Structural Steel Products	House Ways and Means

The Commission recently completed the following 12 additional 332 investigations, three of which were requested by the Congress, one by the President, and seven self-initiated by the Commission:

U.S. Trade-Related Employment	USITC
The Competitive Position of U.S. Producers of Robotics in Domestic and World Markets	USITC
Competitive Assessment of the U.S. Ceramic Floor and Wall Tile Industry	USITC
U.S. Embargoes on Agricultural Exports: Implications for the U.S. Agricultural Industry and U.S. Exports	USITC
The Effects of Foreign Product Counterfeiting on U.S. Industry	USITC
Foreign Industrial Targeting and Its Effect on U.S. Industry: Phase I, Japan	House Ways and Means
President's List of Articles which may be Designated or Modified as Eligible Articles for Purposes of the U.S. Generalized System of Preferences	President
A Competitive Assessment of the U.S. Video Game Industry	USITC
The Possible Effects of Changing World Crude Petroleum Prices	USITC
Trends in International Trade in Nonpowered Handtools	House Ways and Means
A Study into the Implications of Foreign Trade Zones (FTZ's) for U.S. Industries and for Competitive Conditions between U.S. and Foreign Firms	House Ways and Means
Probable Economic Effect on U.S. Producers of the Expansion of the Duty-Free Coverage of the Agreement on Trade in Civil Aircraft	President

In addition, the Commission is conducting ongoing monitoring surveys requested by the Congress and the President that include: mushrooms; brooms; the steel industry; motorcycles; stainless steel and alloy tool steel; rum; and automobiles.

12. Question:

What staff years will be committed to work on changes associated with the Harmonized Code Conversion? What will be the continuing needs in this area?

Response:

The Commission has budgeted 17 work-years in fiscal year 1985 for work associated with the Harmonized System. This is an increase of 3 work-years over the fiscal year 1984 plan.

Internationally the Harmonized System (HS) is proceeding toward its scheduled Janauary 1987 implementation date. The text of the convention implementing the HS and the HS nomenclature have been agreed upon. The Harmonized System Committee is in the process of revising the Explanatory Notes to the HS and Commission staff is participating in that work.

Domestically, the Commission transmitted its HS-conversion study to the President in June of 1983. Since that time the Trade Policy Staff Committee (TPSC) has been holding hearings and receiving submissions on the conversion. The TPSC is currently reviewing the converion and considering all of the submissions received from the public and private sectors. It is expected that a revised conversion will be published by the TPSC in July and a decision will be made by the Administration as to whether to pursue U.S. adoption of the HS and to seek legislation modifying the U.S. tariff schedules accordingly.

If the Administration makes the decision to pursue U.S. adoption of the Harmonized System, extensive negotiations pursuant to Article XXVIII of the GATT will become necessary to adjust trade agreements concessions between the United States and its trading partners. The Commission has been asked to prepare extensive trade concordances for the Office of the U.S Trade Representative (USTR) in preparation for those negotiations, as well as to provide tariff and product expertise to the USTR in Washington and Geneva.

In addition, since the Harmonized System will be used for the collection and reporting of export data and since comparability with production data must be maintained, the Commission is working with the Census Bureau on revisions to Schedule B and the SIC-based production codes.

U.S. adoption of the Harmonized System for tariff purposes, of course, requires Congressional approval. Consequently, we expect that in view of the Commission's tariff expertise, we will be asked to prepare draft tariff legislation converting the TSUS into the structure of the Harmonized System and expect to be working with the USTR and Congressional staffs on such legislation in 1984 and 1985.

U.S. adoption of the HS will have a far reaching effect on the international trade community and will require reprogramming of all trade data bases since the U.S. systems for collecting customs duties and reporting trade statistics will all change drastically. The Commission will be further affected by U.S. implementation of the HS in that we will need to maintain 2 tariff schedules concurrently in 1986; i.e., the 1986 edition of the TSUSA and the converted 1987 tariff schedule which is scheduled to be published in the summer of 1986 in order to provide the importing community with as much advance notice as possible.

Finally, if the U.S. does adopt the HS a mechanism should be established for representation of United States interests on the Harmonized System Committee, the Committee established by the HS convention for administration and maintenance of the HS. In view of the technical nature of the work and the legal, tariff and product expertise of the Commission we believe that the Commission should be designated in the HS implementing legislation to represent the U.S. on that committee.

13. Question:

On page 23, the Commission states that it "works closely with the Bureau of the Census and the U.S. Customs Service." What is the substance of this work?

Response:

The Commission, Census Bureau, and Customs Service frequently work closely in matters concerning international trade statistics, Customs regulations and product classification, and trade nomenclature systems. The Commission is likely the largest individual user of the trade statistics which are produced through the combined efforts of Customs and Census. It is vital that the Commission have accurate and timely trade statistics and hence there is almost daily contact between the agencies regarding statistical problems, data collection and reporting methods, areas for improvement, etc. In addition, each of the agencies is vitally concerned with the various trade nomenclature systems which are the basis for trade statistics. It is through the close coordination of the three that advances have been made in recent years in statistical comparability and in the Harmonized System. Further, Commission investigations often require inquiries regarding specific Customs regulations and classification practices. In turn Customs often calls on the Commission's commodity experts for opinions regarding classification problems.

14. Question:

The Commission is proposing an additional 4 staff years for trade monitoring. How does this trade monitoring differ from similar activities at the International Trade Administration?

Response:

The Commission's trade monitoring capabilities are an integral part of the Commission's efforts to maintain a continuing high level of expertise in international trade issues. The Commission's system does not duplicate the work carried our by the International Trade Administration. The Commission system, which tracks data for over 2,500 commodity groupings on a monthly basis, test shifts in export and/or import trade by quantity, value, unit value, country of destination, and source, against predetermined criteria. Specifically, the Commission system goes beyond the efforts of other agencies in that it is (1) tailored to commodity groupings of significance in trade; (2) includes timely publication of comparable import and export data and textual analyses of the reasons behind significant trade shifts; and (3) flexible enough to meet new monitoring needs as they develop, e.g., the Civil Aircraft Code, recent executive interest in motor vehicle parts and accessories, and bilateral trade analyses.

During 1983 the Commission, anxious to provide the output of the monitoring system to policy makers and the business public in a useful format, published three quarterly reports and an annual report providing analyses of significant trade shifts. In addition the system recently facilitated a rapid examination of U.S. imports both under the Generalized System of Preferences and TSUS items 806.30 and 807.00 for use by the U.S. Trade Representative and Congress. The system is currently being used to examine the potential impact of the U.S. - Israel free-trade agreement as requested by the President.

15 Question:

The Commission is requesting an additional 3 workyears for administration. What will be the duties, specifically, associated with the new workyears?

Response

The three additional work years are needed to improve the administrative support services of the Commission. As the Commission grows, the activity in the housekeeping area grows. For example, more staff will be required in the Mail Room and the supply function. Communications (telephone, copying machines, telecopiers) and security functions will increase. And finally, the procurement function is expected to require additional staffing.

The Commission's administration activity, in addition to the work of employees assigned full time to providing support services for the Commission, includes staff time for Commission-wide administrative matters performed by nonadministrative employees. This includes items such as union activities, Occupational Health and Safety activities, Equal Employment Opportunity activities, participation on agency ranking and selection panels, and data processing activities related to administrative functions.

16 Question:

What is the current vacancy rate at the Commission? Does the supplemental pay request assume no vacancies? What is the assumed vacancy rate in FY 1985, and is this reflected in the budget request?

Response:

As of March 5, 1984 the Commission had 421 staff positions filled, 10 positions reserved for the two vacant Commissioners and their staffs, and 14 outstanding recruitment actions against the 438 authorized positions. In addition, due to the immediate demands of the workload, there were 28 temporary employees on board.

The supplemental pay request assumed the authorized 438 positions, but did not take into account the excess requirements brought on by the need to maintain the large number of temporary staff.

The planned lapse rate for fiscal year 1985 is 1.6% or approximately 8 positions on an annual basis, and is reflected in the budget request.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

INTERNAL AUDIT

QUESTION

On July 20, 1983 the General Accounting Office published a letter report that recommended that the International Trade Commission establish an Internal Audit System. In reviewing the ITC justifications we find no mention of this recommendation.

1. As stated in the Comptroller-General's letter the Legislative Reorganization Act of 1970, requires the head of an agency to submit a statment of actions taken on GAO recommendations with the agency's appropriation request. What has the ITC done to comply with this requirement?

2. How does the ITC plan to establish an internal audit system and how will it be funded?

Response:

The Legislative Reorganization Act of 1970 (31 U.S.C. 720) requires the head of a Federal agency to submit a written statement on actions taken relative to recommendations included in GAO reports, to several Congressional agencies including the House and Senate Committees on Appropriations. The Commission met this requirement by submitting copies of the GAO report and of the ITC's reply in the package with the FY 1985 budget justification, although discussion of the report and of the Commission's actions were not made a part of the justification per se.

The Accounting Principles and Standards for the Commission's accounting and financial management system, which have been designated by GAO as in compliance with their standards, includes a provision for an internal audit program to be provided through a reimbursable agreement with another Federal agency or through a contract with a commerical accounting firm. GAO staff was aware of the ITC's plans in this regard and stated "... If properly arranged and implemented, this should meet the requirements of the act and Circular A-73." This agreement should be in effect at the time the accounting and financial management system is implemented or soon thereafter.

It is anticipated that GAO will perform a system approval review in FY 1985, at no cost to the Commission. The internal audit program will be funded from the Commission's operating budget, beginning in fiscal year 1986.

A copy of the GAO letter report and of the Commission's reply are attached as part of this response:

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

September 12, 1983

Honorable William V. Roth, Jr.
Chairman
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Roth:

This letter is in response to General Accounting Office (GAO) report B-204393, Subject: International Trade Commission Needs a System of Internal Audit (GAO/AFMD-83-93).

As part of a broad study to review internal audit and investigative functions at several agencies, GAO staff examined whether the Commission has the capability ". . . to identify systemic problems that might have adversely affect its ability to detect and prevent fraud, waste, and abuse . . ." Although the Commission is currently a client of the General Services Administration's (GSA) payroll, accounting and financial reporting services and, therefore, receives the benefit of any audits performed on those systems, GAO staff correctly points out that the ". . . ITC's procurement, contracting, time and attendance, and related internal payroll procedures did not. Likewise, ITC's administrative controls were not reviewed . . ."

As a result of this review, the GAO has recommended as follows:

> "We recommend that you provide or contract for and maintain a system of internal audit over all funds, property and assets for which ITC is responsible, as required by the Budget and Accounting Procedures Act of 1950 and Circular A-73."

The Commission is implementing an in-house accounting and financial management system in fiscal year 1984. The Accounting Principles and Standards which have been designated by GAO as in compliance with their standards, includes a provision for an internal audit program to be provided through a reimbursable agreement with another Federal agency or through a contract with a commercial accounting firm. GAO staff was aware of the ITC's plans in this regard and stated ". . . If properly arranged and implemented, this should meet the requirements of the act and Circular A-73." This agreement should be in effect at the time the accounting and financial management system is implemented or soon thereafter.

I must also point out that the Commission is actively implementing the requirements of the Federal Managers' Financial Integrity Act of 1982, which will assure that appropriate management controls are in place throughout the agency's programs.

I believe that a combination of the audit program being established plus our active implementation for the Integrity Act's requirements will assure a thorough review of the Commission's financial and operational activities on an on-going basis.

Sincerely,

Al Eckes

Alfred Eckes
Chairman

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

July 20, 1983

The Honorable Alfred E. Eckes
Chairman, United States International
Trade Commission

Dear Mr. Eckes:

Subject: International Trade Commission Needs a System of Internal Audit (GAO/AFMD-83-93)

As part of a study of the overall effectiveness of the internal audit and investigative functions at several agencies, we examined the capability of the United States International Trade Commission (ITC) to identify systemic problems that might adversely affect its ability to detect and prevent fraud, waste, and abuse. Our review included an examination of organizational structure, resource allocation, audit coverage, report quality, and management support of the internal audit function. We followed generally accepted government audit standards in making the review.

We found that ITC does not maintain an in-house audit and investigative capability. In June 1968, ITC signed an interagency agreement authorizing the General Services Administration (GSA) to provide ITC its payroll, accounting, and financial reporting services. GSA was not, however, granted audit responsibility in the interagency agreement. Thus, with the exception of imprest fund audits by the Department of the Treasury and GSA and a financial audit by the General Accounting Office (GAO) in 1966, ITC has not had a financial or operations audit within the last 16 years.

We discussed our observations with your budget and accounting officials to make sure we completely understood the audit situation. They explained that an audit function had not been established within the agency or specified as one of GSA's responsibilities in the interagency agreement because:

--ITC is a small agency, with limited resources, and does not have its own accounting system.

--GSA would have imposed additional charges if granted audit responsibility for ITC.

--Since GSA performed all accounting functions for ITC, the Commission reasoned that its transactions would be audited along with other transactions whenever GAO or GSA audited GSA functions and activities.

While the services provided by GSA received periodic review by GSA internal auditors [illegible]'s procurement, contracting, time and attendance, and related internal payroll procedures did not. Likewise, ITC's [illegible] controls were not reviewed. According to a GSA official, if ITC had granted GSA audit authority under the client agreement, these procedures and controls would have been reviewed.

The Budget and Accounting Procedures Act of 1950 requires executive agencies to establish and maintain systems of accounting and internal control--including appropriate internal audit--that will effectively control and account for all funds, property, and other assets for which the agency is responsible (31 U.S.C. 3512). The same legislation (31 U.S.C. 101) defines "executive agency" to be any executive department, agency, or independent establishment in the executive branch. This would include ITC (see 19 U.S.C. 1330).

The recently enacted Federal Managers' Financial Integrity Act (31 U.S.C. 3512) was designed to ensure compliance with the above requirements. The act requires, among other things, that heads of agencies transmit by December 31, 1983, a statement to the President and the Congress saying that their systems of internal accounting and administrative controls fully comply with standards prescribed by the Comptroller General or, in the event they do not, reporting any material weaknesses and a plan and schedule for correcting those weaknesses.

Office of Management and Budget Circular No. A-73 recognizes that audit is an integral part of the management process. The circular specifies that agencies are responsible for providing adequate audit coverage of their programs to help them determine whether resources have been safeguarded; information is reliable; and funds have been expended efficiently, economically, effectively, and in a manner consistent with laws, regulations, and policies. Circular A-73 makes clear that audit includes not only the examination of financial statements but also reviews of (1) compliance with laws and regulations, (2) economy and efficiency of operations, and (3) effectiveness in achieving program results.

We recommend that you provide or contract for and maintain a system of internal audit over all funds, property, and assets for which ITC is responsible, as required by the Budget and Accounting Procedures Act of 1950 and Circular A-73.

The director of ITC's Office of Finance and Budget agreed that periodic audit of ITC operations is needed. The director told us ITC is designing its own accounting and financial management system, and as part of this effort intends to develop plans to provide audit coverage either through a reimbursable project with an executive agency's inspector general or through a contract with a public accounting firm. If properly arranged and implemented, this should meet the requirements of the act and Circular A-73.

The Legislative Reorganization Act of 1970 (31 U.S.C. 720) requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and [illegible]tee on Government Operations not later than 60 days after the date of the report, and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen, Senate Committee on Governmental Affairs and House Committee on Government Operations. We appreciate the cooperation and courtesies extended to our staff during this review.

Sincerely yours,

W. D. Campbell

W. D. Campbell
Acting Director

ADMINISTRATION

Question:

Please explain, with a little more specificity than we find on p. 41 of the justifications, why 3 additional workyears are required for fiscal 1985.

Response

The three additional work years are needed to improve the administrative support services of the Commission. As the Commission grows, the activity in the housekeeping area grows. For example, more staff will be required in the Mail Room and the supply function. Communications (telephone, copying machines, telecopiers) and security functions will increase. And finally, the procurement function is expected to require additional staffing

The Commission's administration activity, in addition to the work of employees assigned full time to providing support services for the Commission, includes staff time for Commission-wide administrative matters performed by nonadministrative employees. This includes items such as union activities, Occupational Health and Safety activities, Equal Employment Opportunity activities, participation on agency ranking and selection panels, and data processing activities related to administrative functions.

IMPACT OF BUDGET AMENDMENT

Question:

Please supply marked up pages of the 1985 justification that display the infusion of the additional work-years and funds in the $258,000 budget amendment

Response:

The following pages display the infusion of the additional 7 work-years and $258,000 included in the budget amendment, which results from the annualization of the fiscal year 1984 supplemental request

General Statement

The United States International Trade Commission's budget request for fiscal year (FY) 1985 is for an appropriation of ~~$28,152,000~~, ~~$6,014,000~~ more than the amount for FY 1984, assuming enactment of the FY 1984 pay increase, supplemental appropriations. More than 50 percent, or $3,522,000 of the increase requested is needed for the planned relocation and consolidation of the Commission in compliance with legislation pending before the Congress. The remainder of the increase is necessary to meet required nondiscretionary cost increases, and for an additional 44 full-time permanent positions to strengthen the Commission and enable it to better carry out its responsibilities. This would increase the Commission's authorized staffing level from 438 to 482 permanent positions.

$28,410,000
$6,372,000
and program

The International Trade Commission is an independent agency and performs a unique role. One of the Commission's major functions is to provide the Congress with independent, expert advice to assist it in carrying out its Constitutional authority to regulate international trade. The Commission, in addition to its duty to respond to requests from the Congress and the President on matters affecting international trade, has a number of other specific statutory duties and responsibilities ranging from research and analysis to quasi-judicial functions on trade-related matters. In light of these statutory mandates and projected workload requirements, it is essential that the Commission be authorized additional staff and funds to carry out its responsibilities.

The Commission, as in past years, has developed an expenditure plan for the current year at the same time the budget request was being formulated. By taking into account updated information on external workload requirements, we are better able to redefine our priorities and plan activities for both years. This is extremely important as the Commission does not have control over the volume and timing of a majority of the work it receives, yet must complete the work within statutory deadlines. It will shift resource allocations among individual activities if external demands vary materially from planned levels. Through this resource management and administrative improvements, the Commission was able in the past to avoid increases in staff. Recent developments, however, have obviated our ability to use this approach any longer for the following reasons.

INTERNATIONAL TRADE COMMISSION

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For necessary expenses of the International Trade Commission, including hire of passenger motor vehicles [and], services as authorized by 5 U.S.C. 3109, [$20,774,000] *rental of conference rooms in the District of Columbia and elsewhere, and not to exceed $2,500 for official reception and representation expenses*, ~~*$20,168,000*~~. (Departments of Commerce, Justice, and State, The Judiciary, and Related Agencies Appropriation Act, 1984.) $28,410,000

Summary of Requirements

(Thousands of dollars)

FY 1984 appropriation, assuming enactment of supplementals for pay and program increases ~~costs~~			~~$21,238~~ $22,038
Adjustments to base and built-in changes:			
Full-year cost of January 1984 pay increases	$598		
FY 1984 supplemental appropriation requested	(464)		
Annualization of January 1984 pay increases		134	
Cost due to additional FICA coverage		180	
Other built-in increases:			
Within-grade step increases and reclassifications		416	
Annualization for full staffing		~~480~~ 1,389	
Related increase in employee benefits		120	
Increase in workers compensation benefits		17	
Estimated impact of inflation on costs of travel and transportation (26), rent and communications (143), printing and reproduction (26), other services (106), and supplies and materials (70)		371	
Adjustment to allow for GSA space rental increase		423	
Subtotal, adjustments to base and built-in increases		~~2,141~~ 3,050	
Built-in decreases:			
Contractual services for TSUSA computerization/photocomposition		(200)	
Net adjustments to base			~~1,941~~ 2,850
FY 1985 base			~~23,179~~ 24,888
Other increases:			
Estimated costs for Commission relocation		3,672	
Less: Space design costs approved for FY 1984		(150)	
		3,522	
~~Additional 44 positions requested~~		~~1,451~~	
Subtotal, other increases			~~4,973~~ 3,522
Appropriation requested for FY 1985			~~$28,152~~ $28,410

Total requirements, by program

(Dollar amounts in thousands)

Activity	FY 1983 actual		FY 1984 appropriation 1/		FY 1985 base		FY 1985 estimate 3/		Increase (+) or decrease (-) from FY 1985 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
1. Public investigations and research studies:										
A. Import injury (Trade Act (TA) of 1974)	9	344	15	560	15	636	15	636	-	-
B. Interference with agricultural programs (AAA)	1	50	4	204	4	213	4	213	-	-
C. Antidumping and countervailing duty (title VII of the Tariff Act of 1930 and the Trade Agreements Act of 1979)	64	2,939	66	3,102	72	3,502	72	3,502	-	-
D. Unfair import practices (section 337, Tariff Act of 1930, and sections 301(c), 301(e) and 603, TA of 1974)	37	1,757	47	2,496	54	2,726	54	2,726	-	-
E. Probable economic effects of concessions or preferential duty-free treatment (TA of 1974)	3	145	7	338	7	358	7	358	-	-
F. Under section 332 of the Tariff Act of 1930 2/	46	2,047	49	2,175	56	2,553	56	2,553	-	-
Total public investigations and research studies	160	7,282	188	8,875	208	9,988	208	9,988	-	-
2. Technical information and assistance:										
A. Provided to the Congress	11	492	12	534	13	616	13	616	-	-
B. Provided to other Federal agencies and the public	20	818	20	823	22	961	22	961	-	-
C. Relating to trade agreements activities	21	924	22	996	24	1,071	24	1,071	-	-
Total technical information and assistance	52	2,234	54	2,343	59	2,648	59	2,648	-	-
3. Recurring reports and services:										
A. Trade monitoring	23	1,077	28	1,299	35	1,735	35	1,735	-	-
B. Synthetic organic chemicals reports	13	481	13	480	10	439	10	439	-	-
C. Summaries of trade and tariff information	27	1,067	18	714	19	793	19	793	-	-
D. TSUSA, Harmonized System and other nomenclature and classification activities 2/	23	1,222	23	1,353	26	1,374	26	1,374	-	-
E. Other recurring reports and services	7	335	9	402	9	441	9	441	-	-
Total recurring reports and services	93	4,182	91	4,248	99	4,782	99	4,782	-	-
4. Assembling and analyzing economic and technical information:										
A. Repetitive data assembly as a primary function	25	1,275	28	1,337	30	1,514	30	1,514	-	-
B. Professional assembly and analysis of information	20	1,023	19	965	21	1,151	21	1,151	-	-
Total assembling and analyzing economic and technical information	45	2,298	47	2,302	51	2,665	51	2,665	-	-
5. Administration and relocation	53	2,188	57	2,425	60	2,669	60	6,191	-	+3,522
6. Executive direction	24	1,266	34	1,830	38	2,171	38	2,171	-	-
Total work years and obligations	427	19,450	471	22,073	515	24,923	515	28,445	-	3,522
Less: Reimbursements	-	-41	-	-35	-	-35	-	-35	-	-
Net obligations		19,409		22,038		24,888	-	28,410	-	3,522

1/ Assuming enactment of ~~a~~ supplemental appropriations for pay increases of $464,000 and program increases of $800,000.

2/ Work on the Harmonized System, although designated as an investigation under section 332, is reported under recurring reports and services because of the nature of the tasks involved.

3/ Includes budget amendment of $258000.

ACTIVITY 1 - PUBLIC INVESTIGATIONS AND RESEARCH STUDIES

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1983 actual		FY 1984 appropriation 1/		FY 1985 base 1/		FY 1985 estimate 2/		Increase(+)or decrease (-) from FY 1985 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
1. Public investigations and research studies										
A. Import injury	9	344	15	560	15	636	15	636	-	-
B. Interference with agricultural programs	1	50	4	204	4	213	4	213	-	-
C. Antidumping and countervailing duty	64	2,939	66 ~~65~~	3,102 ~~2,898~~	72 ~~65~~	3,502 ~~2,222~~	72 ~~70~~	3,502 ~~2,427~~	- ~~+5~~	- ~~+205~~
D. Unfair import practices	37	1,757	47 ~~45~~	2,496 ~~2,108~~	54 ~~46~~	2,726 ~~2,403~~	54 ~~50~~	2,726 ~~2,571~~	- ~~+4~~	- ~~+168~~
E. Probable economic effects of concessions	3	145	7	338	7	358	7	358	-	-
F. Under section 332, Tariff Act of 1930	46	2,047	49 ~~45~~	2,175 ~~2,111~~	56 ~~51~~	2,553 ~~2,259~~	56	2,553	- ~~+5~~	- ~~+194~~
Total public investigations and research studies	160	7,282	188 ~~180~~	8,875 ~~8,219~~	208 ~~188~~	9,988 ~~8,191~~	208 ~~202~~	9,988 ~~8,758~~	- ~~+14~~	- ~~+567~~

1/ Assuming enactment of ~~a~~ supplemental appropriations for pay increases of $464,000 and program increases of $800,000.

2/ Includes budget amendment of $258,000.

A total of 159 antidumping and countervailing duty investigations were worked on in FY 1983, of which 45 were on carbon steel. The FY 1984 caseload is projected at 164, which exclusive of the carbon steel cases represents an increase of 50 cases or 44% over the FY 1983 level. The FY 1985 workload is expected to remain at that same high level and require an intensive effort due to the variety and complexity of cases received. In FY 1985 the Commission will use ~~70~~ 72 work-years and ~~$3,427,000~~ $3,502,000 for this activity, compared to ~~63~~ 66 work-years and ~~$2,898,000~~ $3,102,000 in FY 1984.

Unfair import practice investigations

Section 337 of the Tariff Act of 1930, as amended by section 341 of the Trade Act of 1974, provides for investigation by the Commission of alleged unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale.

The Commission must complete investigations under this statute within 1 year (18 months for more complicated cases), and the investigations are required to be conducted as record proceedings using administrative law judges in conformity with the provisions of the Administrative Procedure Act. Section 337 investigations may be instituted on the complaint of a private party or, in the absence of such a complaint, on the Commission's initiative. The Commission may order that a respondent cease and desist from engaging in the unfair practices, the violation of which is punishable by civil penalties of up to $10,000 per day or the domestic value of the articles entered or sold. It also has the power to issue an order of exclusion barring the imported product from entry. These orders are subject to disapproval by the President for policy reasons. The Commission also may provide for temporary relief while the investigation proceeds. Commission determinations may be appealed to the Court of Appeals for the Federal Circuit.

The Commission may initiate preliminary investigations under section 603 of the Trade Act of 1974 to determine whether to institute investigations under section 337. The Commission may also initiate informal inquiries designed to establish data for use in determining whether or not institution of an investigation under the terms of section 337 or section 603 is appropriate.

The Commission budget request (1) provides for continued heavy demand for investigations under section 337 of the Tariff Act of 1930 and section 603 of the Trade Act of 1974 and (2) allows for greater efforts in enforcement, procedural rulemaking, liaison activities, and the development of improved internal procedures with its existing resources. The complexity of section 337 investigations, as well as the requirements of the Trade Act of 1974 that determinations be on the record and comply with the Administrative Procedure Act, adds to the staff efforts for each investigation. Also, resources are required for litigation, as the Commission is represented by its own attorneys in district courts and in the Court of Appeals for the Federal Circuit.

During FY 1983 the Commission had 59 active unfair import practice cases. This was an increase of 34% over the FY 1982 workload. Further increases in the workload are expected for FY 1984 and for FY 1985, based upon the current level of new filings. In addition to providing an additional burden for the investigative attorneys, the caseload has created a critical need for additional resources to enable the administrative law judge to meet these demands within the statutory deadlines. In FY 1985 the Commission will use ~~50~~ 54 work-years and ~~$2,571,000~~ $2,726,000 for this activity, compared to ~~43~~ 47 work-years and ~~$2,108,000~~ $2,496,000 in FY 1984.

Investigations of probable economic effects of concessions or preferential duty-free treatment

Under the Trade Act of 1974, the Commission must conduct investigations at the request of the President in regard to articles which may be considered (1) in negotiations for modifications of duty (section 131) or (2) for designation as eligible articles in connection with the Generalized System of Preferences (GSP) for developing countries (section 503). These investigations provide Government trade and tariff officials with factual economic appraisals of various options which may be exercised in the implementation of trade and tariff policy.

The first investigation of this type under the Trade Act of 1974, completed in 1975, concerned both trade agreement concessions and duty free treatment under the GSP. After 1975 this activity was largely limited to investigations related to the Generalized System of Preferences (GSP). The Commission is now again being requested to provide data related to both trade agreement concessions and GSP.

U.S. metal-working machine tool industry; effect of changes in the value of the U.S. dollar on trade in selected commodities; assessment of the multilateral trade negotiations on selected benzenoid chemicals; U.S. trade related employment; competitive position of U.S. producers of robotics in domestic and world markets; competitive assessment of U.S. ceramic floor and wall tile industry; U.S. embargos on agricultural exports; and the effects of foreign product counterfeiting on U.S. industry. The Commission currently has section 332 investigations underway in areas such as: the video game industry; possible effects of changing world crude oil prices; and China's economic development strategies and their effect on U.S. trade.

The need for such studies is expected to grow with the new trade initiatives undertaken since completion of the Multilateral Trade Negotiations (MTN), and with the proposed adoption of the Harmonized System. The international economic situation remains unsettled and many countries' economies have become more interdependent. Shocks such as large oil-price changes or major crop failures are rapidly transmitted from country to country, with far-reaching repercussions for the commerce of the United States. Large differences in rates of inflation and phases of the business cycle among countries produce marked shifts in international supply and demand and dramatic changes in exchange rates. These factors affect U.S. exports and imports in different ways. It is essential that the Commission study such matters in depth if it is to respond to wide-ranging congressional inquiries and to be of assistance to the executive branch. This is especially important as new concerns develop, such as trade in services, performance requirements and high technology. To this end, the Commission is continually defining new areas where further work should be accomplished.

The FY 1985 level of resources planned for this activity will provide for investigations requested by the Congress and the President, and allow a higher volume of work for Commission-initiated studies in order to improve the Commission's readiness to provide in-depth information for trade policymakers on key economic issues.

In FY 1985 the Commission will use 56 work-years and $2,553,000 for this activity, compared to ~~48~~ work-years and ~~$2,111,000~~ in FY 1984.
49 $2,175,000

ACTIVITY 2 – TECHNICAL INFORMATION AND ASSISTANCE

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1983 actual		FY 1984 appropriation 1/		FY 1985 base 1/		FY 1985 estimate 2/		Increase(+)or decrease (–) from FY 1985 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
2. Technical information and assistance:										
A. Provided to the Congress	11	492	12	534	13 ~~12~~	616 ~~576~~	13	616	~~+1~~ -	~~+40~~ -
B. Provided to other Federal agencies and the public	20	818	20	823	22 ~~20~~	961 ~~890~~	22	961	~~+2~~ -	~~+71~~ -
C. Related to trade agreements activities	21	924	22	986	24 ~~22~~	1,071 ~~1,000~~	24	1,071	~~+2~~ -	~~+71~~ -
Total technical information and assistance	52	2,234	54	2,343	59 ~~54~~	2,648 ~~2,460~~	59	2,648	~~+5~~ -	~~+102~~ -

1/ Assuming enactment of ~~a~~ supplemental appropriations for pay increases of $464,000 and program increases of $800,000.

2/ Includes budget amendment of $258,000.

The task of furnishing technical information and assistance to the President, the Congress, other agencies, and private industries, groups, and individuals is an important element of the Commission's responsibilities. This work arises as a consequence of the Commission's unique position as a repository of technical information and professional skills in international trade matters such as tariffs, nomenclature, and the effect of imports on domestic industries.

ACTIVITY 3 – RECURRING REPORTS AND SERVICES

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1983 actual		FY 1984 appropriation 1/		FY 1985 base 1/		FY 1985 estimate 2/		Increase(+)or decrease (–) from FY 1985 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
3. Recurring reports and services:										
A. Trade monitoring	23	1,077	28 ~~27~~	1,299 ~~1,259~~	35 ~~31~~	1,735 ~~1,549~~	35	1,735	~~+4~~ –	~~+186~~ –
B. Synthetic organic chemicals reports	13	481	13	480	10	439	10	439	–	–
C. Summaries of trade and tariff information	27	1,067	18	714	19 ~~18~~	793 ~~758~~	19	793	~~+1~~ –	~~+35~~ –
D. TSUSA, Harmonized System and other nomenclature and classification activities	23	1,222	23 ~~22~~	1,353 ~~1,313~~	26 ~~22~~	1,374 ~~1,216~~	26	1,374	~~+4~~ –	~~+158~~ –
E. Other recurring reports and services	7	335	9	402	9	441	9	441	–	–
Total recurring reports and services	93	4,182	91 ~~89~~	4,248 ~~4,168~~	99 ~~90~~	4,782 ~~4,403~~	99	4,782	– ~~+9~~	– ~~+379~~

1/ Assuming enactment of ~~a~~ supplemental appropriations for pay increases of $464,000 and program increases of $800,000.

2/ Includes budget amendment of $258,000.

The Commission is continuing the quarterly report series entitled *U.S. Trade Shifts in Selected Commodity Areas* which was initiated in FY 1981. The report is a byproduct of the normal trade-monitoring activities and provides brief analyses of significant foreign-trade shifts in major industrial sectors. In addition, the Commission uses its trade monitoring system to prepare a trade monitoring report on the U.S. trade balances with various countries.

In FY 1985 the Commission will use 35 work-years and $1,735,000 for this activity, compared to ~~27~~ 28 work-years and ~~$1,259,000~~ $1,299,000 in FY 1984.

Synthetic organic chemicals reports

The Commission publishes annual reports covering production and sales of synthetic organic chemicals and the raw materials from which they are produced (a directory of manufacturers of the products is included) and statistics on imports of benzenoid chemicals. It also publishes monthly statistical reports covering production of a selected list of synthetic organic chemicals considered to be representative of the industry. Public Law 95-106, section 5, 91 Stat. 869 (1977) (codified at U.S.C. 1332 note) required the Commission to make such reports for each calendar year ending before January 1, 1981. The Commission has continued to publish these reports beyond that date to meet the expressed needs of the Commission, other Government agencies, and the public, under the authority of section 332 of the Tariff Act of 1930. The chemical industry cooperates in furnishing much of the data included in these reports because of the high value it places on the information published.

Because of the growing workload in the Commission, and as part of its constant effort to review programs which can be modified or eliminated to increase productivity, the Commission has voted to terminate the benzenoid chemicals import report with the issuance of the calendar year 1983 data (which will be published in the summer of 1984). The Commission is able to terminate this report without serious trade data repercussions. The primary justification for the Commission's annual benzenoid import report was the need to monitor the competitive status of benzenoid chemicals as they related to a special basis of valuation, the American Selling Price (ASP) of Customs valuation. As a result of the Tokyo round of the Multilateral Trade Negotiations, the ASP system was abolished in July 1980, but the Commission continued the report so it could assess the

To enable the Commission to facilitate changes to the TSUSA, and to respond more promptly to requests for data and the effect of possible changes by Congress and the President, a computerized system for its preparation and printing is being considered. The systems being considered could provide electronic access to the TSUSA and the history of the TSUSA by the international trade community, and could also be used to meet Harmonized System requirements if adopted.

Resources planned for this activity remain at a high level in FY 1984 to support continued TSUSA and Harmonized System requirements. An increase of four work-years is projected in this activity for FY 1985, as requirements are expected to grow over those of FY 1984. In FY 1985 the Commission will use 26 work-years and $1,374,000 for this activity, compared to ~~22~~ 23 work-years and ~~$1,313,000~~ $1,353,000 in FY 1984.

Other recurring reports and services

This activity includes preparation of quantitative reports dealing with imports and production of specific products and preparation of the Commission's annual report to the Congress dealing with its own operations.

The quantitative reports, issued quarterly, semiannually, or annually according to Presidential or other legal requirements, provide current statistical information on specific products which have been adversely affected by imports. These statistical reports do not include Commission determinations, such as those which are included in reports of review investigations called for by the Trade Act of 1974 (activity 1A). The Commission also issues its annual series A and B reports on automotive trade statistics under this activity.

In FY 1983, the Commission published quarterly reports on processed mushrooms (required by a Presidential request under section 332), an annual report on brooms (required by Executive Order No. 11377), semiannual and annual reports on nonelectric cooking ware (required by Presidential Proclamation No. 4713), quarterly reports on heavyweight motorcycles (required by Presidential Proclamation No. 5050), and quarterly reports on certain stainless steel and alloy tool steel (required by Presidential Proclamation No. 5074).

ACTIVITY 4 - ASSEMBLING AND ANALYZING ECONOMIC AND TECHNICAL INFORMATION

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1983 actual		FY 1984 appropriation 1/		FY 1985 base 1/		FY 1985 estimate 2/		Increase(+)or decrease (-) from FY 1985 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
4. Assembling and analyzing economic and technical information:										
A. Repetitive data assembly as a primary function	25	1,275	28	1,337	30 ~~28~~	1,514 ~~1,453~~	30	1,514	- ~~+2~~	- ~~+61~~
B. Professional assembly and analysis of information	20	1,023	19 ~~18~~	965 ~~928~~	21 ~~17~~	1,151 ~~984~~	21	1,151	- ~~+4~~	- ~~+167~~
Total assembling and analyzing economic and technical information	45	2,298	47 ~~46~~	2,302 ~~2,265~~	51 ~~45~~	2,665 ~~2,437~~	51	2,665	- ~~+6~~	- ~~+228~~

1/ Assuming enactment of ~~a~~ supplemental appropriations for pay increases of $464,000 and program increases of $800,000.

2) Includes budget amendment of $258,000.

foreign production and product distribution patterns, and be familiar with foreign economic conditions and trade-related policies. They must also keep abreast of the conditions of competition between U.S. and foreign products, the competitive capabilities of domestic and foreign enterprises and be able to translate this expertise into fact-finding analytical reports and papers for use by appropriate policy officials.

This activity is carried out by general fieldwork, basic research, review of U.S. and foreign economic trade and business sources, liaison with private industry officials, participation in industry-Government conferences, expansion of Government and business contacts, development and review of Government information. Much of this work requires travel by Commission personnel as well as close attention to many legal matters, which may have an impact on technical tariff affairs or on conditions of trade.

The Commission must continue its program of keeping its professional staff informed in its fields of responsibility. The expertise developed and maintained in this program will always be critical to the fulfillment of the Commission's individual statutory responsibilities. The frequent need to use commodity-industry analysts and economists for extensive work on investigations affects the time available for systematic assembly and analysis of information. However, the Commission feels that these staff shifts are not disruptive to the orderly maintenance of professional expertise, since there is a significant benefit to be gained by the knowledge and experience the analysts obtain through active participation in public investigations related to specific commodities.

The Commission believes that this activity must be maintained at a level to maintain the Commission's ability to keep up with the changing geography of our case load, changing economic factors affecting world trade, developments in East-West trade, trade monitoring and analysis, and the ability to provide adequate technical input in new areas of Commission responsibility, such as trade-in-services and in high technology. The Commission has assigned additional staff resources to this activity in FY 1985 over those of FY 1984 so that the Commission can continue to adequately meet these complex and changing requirements.

In FY 1985 the Commission will use 21 work-years and $1,151,000 for this activity, compared to ~~18~~ 19 work-years and ~~$920,000~~ $965,000 in FY 1984.

ACTIVITY 5 – ADMINISTRATION

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1983 actual		FY 1984 appropriation 1/		FY 1985 base 1/		FY 1985 estimate 2/		Increase(+)or decrease (–) from FY 1985 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
5. Administration	53	2,188	57 ~~56~~	2,325 ~~2,298~~	60 ~~56~~	2,519 ~~2,396~~	60 ~~59~~	2,519 ~~2,491~~	- ~~+3~~	- ~~+95~~
Relocation costs	–	–	–	150	–	150		3,672	–	+3,522
Total	53	2,188	57 ~~56~~	2,475 ~~2,448~~	60 ~~56~~	2,669 ~~2,546~~	60 ~~59~~	6,191 ~~6,163~~	- ~~+3~~	+3,522 ~~+3,617~~

1/ Assuming enactment of ~~a~~ supplemental appropriations for pay increases of $464,000 and program increases of $800,000.

2/ Includes budget amendment of $258,000.

This activity includes the Offices of the Director of Administration, Finance and Budget, Personnel, and Management Services (except Publication Services) which provide administrative support services for the entire Commission. In addition to the work of employees assigned full time to administrative duties, staff time charged to this activity includes some work concerning Commission-wide administrative matters performed by nonadministrative employees, such as union activities, participation in Occupational Health and Safety Activities, EEO activities, participation on ranking and selection panels, and data-processing activities related to administrative functions. As a result, the number of work-years charged to administration are larger than the number of employees assigned solely to those duties.

Administration

In a continuing attempt to improve administrative operations, including more timely vendor payments in compliance with the Prompt Payment Act and better internal control over agency expenditures, a Commission-operated accounting system is being implemented during FY 1984. The Commission's computer and word processing capabilities also are being administratively utilized in the areas of automated inventory control, procurement, and building services and security. Further improvements are planned for overall facilities management, including records management and day-to-day support services. For FY 1985, in addition to funding the normal administrative responsibilities required, the Commission is requesting funding for relocation and consolidation of Commission functions in compliance with legislation pending before the Congress.

In FY 1985 the Commission will use ~~59~~ 60 work-years and ~~$2,491,000~~ $2,519,000 for administrative activities compared to ~~56~~ 57 work-years and ~~$2,290,000~~ $2,325,000 in FY 1984.

Relocation

The U.S. International Trade Commission currently is housed in three separate office buildings in Washington, D.C. Legislation is pending which would transfer the Commission's headquarters building at 701 E Street, N.W. to the Smithsonian Institution, and require the General Services Administration (GSA) to relocate all Commission functions to a single downtown Washington, D.C. office facility. In anticipation of the relocation, Commission staff is working with GSA to prepare a prospectus for approval by the House Committee on Public Works and Transportation during the second session of the 98th Congress. Subsequent to the Committee's approval, GSA will solicit offers for space to meet the Commission's special requirements. Pending legislation calls for the Administrator of GSA and the Chairman of the U.S. International Trade Commission to jointly determine the suitability of proposals for office space.

SUBCOMMITTEE RECESS

Senator RUDMAN. This concludes our hearing for today. We will meet next Wednesday, March 14, to hear testimony from the Federal Communications Commission and the Federal Judiciary.

This committee will stand in recess.

[Whereupon, at 10:37 a.m., Monday, March 12, the subcommittee was recessed, to reconvene Wednesday, March 14.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

FRIDAY, MARCH 16, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9 a.m., in room S-146, the Capitol, Hon. Warren B. Rudman presiding.

Present: Senator Rudman.

FEDERAL COMMUNICATIONS COMMISSION

STATEMENT OF MARK S. FOWLER, CHAIRMAN

ACCOMPANIED BY:
- EDWARD J. MINKEL, MANAGING DIRECTOR
- JACK SMITH, CHIEF, COMMON CARRIER BUREAU
- JIM McKINNEY, CHIEF, MASS MEDIA BUREAU
- BOB FOOSANER, CHIEF, PRIVATE RADIO BUREAU
- BRUCE FEIN, GENERAL COUNSEL
- RICHARD SMITH, CHIEF, FIELD OPERATIONS BUREAU
- BOB POWERS, CHIEF SCIENTIST
- BILL RUSSELL, DIRECTOR, OFFICE OF PUBLIC AFFAIRS
- TOM CAMPBELL, ASSOCIATE MANAGING DIRECTOR FOR OPERATIONS
- TOM STANLEY, ACTING DEPUTY CHIEF, OFFICE OF SCIENCE AND TECHNOLOGY
- MICHAEL FITCH, DEPUTY CHIEF, PRIVATE RADIO BUREAU

INTRODUCTION OF WITNESSES

Senator RUDMAN. We are now in order.

Our witness this morning is Mark S. Fowler, Chairman of the Federal Communications Commission. The Commission is requesting $92.6 million for fiscal year 1985, an increase of $2.7 million and a net reduction of 22 positions from the 1984 level of 1,975.

I would like you to introduce those at the table for the record and then your entire statement will be made a part of the record and you may summarize as you would like.

Mr. FOWLER. Thank you, sir.

Senator, this is Tom Campbell of the Managing Director's office; Edward Minkel, our Managing Director; Jack Smith, Chief of our Common Carrier Bureau; and Jim McKinney, Chief of the Mass Media Bureau.

Senator RUDMAN. Very well.

Mr. FOWLER. I have others behind me but I won't introduce them.

Senator RUDMAN. Cast of thousands.

Mr. FOWLER. They are all important, I want to make that clear.

Senator RUDMAN. You do very well. We have people who come in here and we really have to have an auditorium for their staffs.

OVERVIEW OF COMMISSION OBJECTIVES

Mr. FOWLER. I will just summarize here by saying we had five objectives when we started in 1981. We have a management system which insists on performance and also lets our personnel provide input on how to achieve performance; in other words, in order to have good morale you have to have good communication. Our five objectives are as follows:

The first objective is to promote and create an unregulated, competitive marketplace environment in telecommunications. These are the two important things and they go hand in hand. I believe that many times in the past under the old system, competition was simply not let in and not let go. The problem with that system was that the consumer, the common man, suffered. Those who were protected from competition were willing to pay the price of heavy regulation. I think that the new way we are moving now—I think this is almost bipartisan, it started in the late 1970's with Jimmy Carter—is being seen as a better way to let in and also let go. This summarizes our approach to telecommunications regulation.

The second objective is to eliminate unnecessary rules and regulations, stuff that never made sense or stuff, that because of the passage of time, is anachronistic.

Three, to promote an expeditious operation of the agency. That means phone calls returned within 24 hours, letters answered within a certain time frame, etc.

Four, to protect our vital interests in international communications as they affect foreign policy, defense and trade.

Five, to eliminate any rules or policies that impinge upon the first amendment, freedom of the press and speech.

NEW TECHNOLOGIES

Since 1981 our team here, which I am very proud of, has put into place a whole program to do all those things by enlisting all of our people in the agency. We happen to be in a time now which is very turbulent, there are a lot of new technologies that are driving us. We have got to get out of the way and let the marketplace work its magic, and it seems that the more we get out of the way, the better off people will be as we bring prices down through competition and increased volume.

Specifically, as an example, your telephone ought to be treated like any other appliance in your house. Why do we have a monopoly supplying you with a telephone. We now let anybody supply you with a telephone, it is like a toaster or clock radio, you plug it in and you should be able to get it from anybody. Prior to our decision, the average lease cost for a plain phone was about $40 a year. That is what you pay. It varies in the rate. It was not broken out for many years until we insisted that that be done to see what you are paying for the equipment. But now, with the competition out there, it is easier to go out and buy a phone for $29 or $19.95. That is an example of where the consumer is much better off.

GEOSTAR PROPOSAL

I won't bore you with a lot of detail in terms of new technologies, but you might be interested in one I heard about the other day. It involves placing three satellites in orbit. It is what they call a Geostar proposal and it would be able to handle 50 million subscribers. You have a small hand held unit where you could send or receive digital messages that you could read out on a little digital printer anywhere that anyone subscribes to this. Well, there is nothing novel about that, that's a nice thing to have. However, the unit is about $195. I think possibly it could be down to $100 after mass production. The interesting thing is that because you have got three satellites out there, and because when you hit the button to transmit to the satellites there is a difference in microseconds in which that signal hits each of the three satellites, they can triangulate the position within 9 feet within the United States.

If you are in the forest and you get lost or you are trying to locate something in the forest, by using this you can go exactly to the point. Airlines will install these in airplanes with a computer program. If all airplanes in the country had this system, there would be no mid-air collisions because the program would be able to know exactly where every plane is at any given time. For transporting goods, we will know exactly where the truck is making its shipment and the customers will also know; therefore they can have the goods delivered the day before they need them. The Japanese are cutting down on capital cost for storage inventory.

These are examples, sir, of the kinds of technologies we are dealing with. I thought it might be more interesting to talk about that than just to give you a broad view of what we are trying to do.

[The prepared statement of Mark S. Fowler follows:]

PREPARED STATEMENT OF MARK S. FOWLER
CHAIRMAN
FEDERAL COMMUNICATIONS COMMISSION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I APPRECIATE THE OPPORTUNITY TO REVIEW WITH YOU THE FEDERAL COMMUNICATIONS COMMISSION'S FISCAL YEAR 1985 BUDGET ESTIMATES. WITH ME TODAY ARE SENIOR STAFF MEMBERS, INCLUDING: EDWARD MINKEL, MANAGING DIRECTOR; JACK SMITH, CHIEF OF THE COMMON CARRIER BUREAU; JIM MCKINNEY, CHIEF OF THE MASS MEDIA BUREAU; BOB FOOSANER, CHIEF OF THE PRIVATE RADIO BUREAU; BRUCE FEIN, OUR GENERAL COUNSEL; RICHARD SMITH, CHIEF OF OUR FIELD OPERATIONS BUREAU; BOB POWERS, CHIEF SCIENTIST; BILL RUSSELL, DIRECTOR OF THE OFFICE OF PUBLIC AFFAIRS; AND TOM CAMPBELL, THE ASSOCIATE MANAGING DIRECTOR FOR OPERATIONS.

OUR FY 1985 BUDGET ESTIMATES PROPOSE A TOTAL OF $92,611,000. THIS IS AN INCREASE OF $5,528,000 OVER OUR FY 1984 APPROPRIATIONS TO DATE OF $87,083,000. OUR BUDGET ESTIMATES INCLUDE A REQUEST FOR 1,953 FULL-TIME PERMANENT POSITIONS, A REDUCTION OF 22 POSITIONS FROM OUR FY 1984 LEVEL OF 1,975. WE ARE ALSO REQUESTING AN FY 1984 PAY SUPPLEMENTAL OF $1,053,000.

IN 1985, THE COMMISSION WILL CONTINUE ITS COMMITMENT TO FOSTER INNOVATION, COMPETITION AND GROWTH IN THE TELECOMMUNICATIONS INDUSTRY. ONE METHOD OF MEETING THESE GOALS IS TO REFRAIN FROM REGULATION WHERE COMPETITIVE FORCES EXIST. IN MANY AREAS, HOWEVER, THE COMMISSION CAN MEET THESE GOALS ONLY BY AUTHORIZING NEW SERVICES IN THE TELECOMMUNICATIONS MARKETPLACE. OUR RECENT INITIATIVES REGARDING FM AND CELLULAR RADIO ARE EXAMPLES.

THE COMMISSION PREPARED ITS FY 1985 BUDGET REQUEST WITH THE PURPOSE OF PROVIDING ADEQUATE FUNDS TO BEGIN THESE NEW SERVICES AND TO ALLOW CONTINUED ENTRY INTO TELECOMMUNICATIONS MARKETS, WHILE BALANCING THESE NEEDS AGAINST THE OVERALL FEDERAL NEED TO CONTINUE SPENDING RESTRAINTS.

I WOULD NOW LIKE TO BRIEFLY OUTLINE THE BASIC COMPONENTS OF OUR BUDGET REQUEST. WE BEGAN THE PREPARATION OF OUR FY 1985 BUDGET BY ADJUSTING OUR FY

1984 BASE, THROUGH A REDUCTION OF ONE-TIME COSTS OF $2,439,000. THESE COSTS INCLUDE THE COMPLETION OF SEVERAL CONSTRUCTION PROJECTS AT FIELD OFFICES AND PORTIONS OF OUR COMPUTER NETWORK.

FROM OUR ADJUSTED BASE OF $84,644,000, WE NEXT ADDED THE FIXED OR UNCONTROLLABLE COST INCREASES REQUIRED IN FY 1985. THESE TOTALED $3,233,000. BY FAR THE MAJOR PORTION OF THE INCREASE -- $2,496,000 -- IS TARGETED FOR THE GSA IMPOSED INCREASE IN STANDARD LEVEL USER CHARGES (SLUC) RATES IN BOTH WASHINGTON, D. C. ($2,143,000) AND OUR FIELD OFFICES ($353,000). AS WE UNDERSTAND THE PROCESS, GSA IS IMPOSING IN FY 1985 THE INCREASES IN SLUC RATES WHICH IT ORIGINALLY PROPOSED FOR FY 1984. IN ADDITION TO THE SLUC INCREASE, WE HAVE INCLUDED A FIXED COST INCREASE OF $263,000 TO FUND THE EXTRA COMPENSABLE DAY WHICH OCCURS IN FY 1985. IN ADDITION TO THESE FIXED COST INCREASES, OUR FY 1985 BUDGET INCLUDES $2,896,000 FOR THE FULL YEAR COST OF THE JANUARY 1984 FEDERAL PAY INCREASE.

FINALLY, WE ARE PROPOSING THREE PRIMARY PROGRAMMATIC INCREASES:

- $335,000 AND EIGHT POSITIONS TO IMPLEMENT THE RADIO BROADCASTING TO CUBA ACT.

- $103,000 AND FOUR POSITIONS TO INCREASE THE AUDITING PROGRAM IN OUR COMMON CARRIER BUREAU, AND

- $1,716,000 TO CONTINUE OUR PROGRAM TO AUTOMATE OUR ADMINISTRATIVE PROCESSES.

AS YOU KNOW, THE RADIO BROADCASTING TO CUBA ACT AUTHORIZED $5,000,000 TO THE UNITED STATES INFORMATION AGENCY, TO COMPENSATE BROADCASTERS FOR LOSSES THEY MIGHT INCUR AS A RESULT OF RADIO INTERFERENCE FROM CUBAN STATIONS. THE COMMISSION, UNDER SECTION SEVEN OF THE ACT, MUST DETERMINE THE LEVEL OF MONETARY LOSS SUFFERED BY AN INDIVIDUAL BROADCASTER. ONCE THIS DETERMINATION HAS BEEN MADE, THE CLAIM IS FORWARDED TO THE USIA FOR PAYMENT. THE ADDITIONAL RESOURCES WE ARE REQUESTING WILL PROVIDE STAFF AND EQUIPMENT TO DEVELOP

INTERFERENCE "BASELINES" IN THE FIELD AS WELL AS PROCESS AND VERIFY BROADCASTER CLAIMS IN WASHINGTON.

THE SECOND PROGRAM FOR WHICH WE ARE REQUESTING ADDITIONAL PERSONNEL IS THE ACCOUNTING AND AUDITS PROGRAM IN OUR COMMON CARRIER BUREAU. WITH DIVESTITURE OF AT&T, THE COMMISSION MUST EXPAND ITS AUDIT PROGRAM TO COVER THE NEW SEPARATE BELL OPERATING COMPANIES. WE HAVE REQUESTED FOUR FULL-TIME PERMANENT POSITIONS AND $103,000 FOR THIS INCREASED AUDITING.

THE FINAL PROGRAM INCREASE WE ARE PROPOSING IS FOR THE CONTINUATION OF OUR LICENSE PROCESSING AND OFFICE AUTOMATION PROGRAMS. IN FY 1985 FUNDS WILL BE USED TO COMPLETE THE AUTOMATION OF OUR FIELD OFFICES AND TO EXPAND OUR WORD PROCESSING NETWORK IN THE MASS MEDIA, COMMON CARRIER, PRIVATE RADIO AND SUPPORT AREAS. WE ARE ALSO PROPOSING TO PURCHASE THE NECESSARY HARDWARE TO INTEGRATE OUR VARIOUS NETWORKS INTO ONE COMMISSION-WIDE NETWORK. WE BELIEVE THAT THIS WILL BE AN IMPORTANT STEP FORWARD BY IMPROVING STAFF ACCESSIBILITY TO ALL AUTOMATED FILES, REDUCING TIME CONSUMING MANUAL DATA TRANSFER. FINALLY, WE ARE REQUESTING FUNDS TO PROVIDE ADDITIONAL COMPUTER SUPPORT FOR THE 1985 SPACE WORLD ADMINISTRATIVE RADIO CONFERENCE. THIS WILL EXPAND ON ONE OF THE MOST SUCCESSFUL INITIATIVES WE HAVE UNDERTAKEN IN SUPPORT OF U.S. PARTICIPATION IN THE INTERNATIONAL CONFERENCES.

I WOULD NOW LIKE TO DISCUSS THE STATUS OF SEVERAL KEY PROGRAMS FOR WHICH WE RECEIVED ADDITIONAL RESOURCES IN FY 1984.

I WILL BEGIN WITH LOW POWER TELEVISION. LAST SPRING, I TOLD YOU THE COMMISSION HAD RECEIVED CLOSE TO 12,000 LOW POWER TELEVISION (LPTV) APPLICATIONS, OR MORE THAN 10 TIMES THE TOTAL NUMBER OF ALL THE VHF AND UHF TELEVISION LICENSES THAT HAVE EVER BEEN GRANTED. IN THE PAST SEVEN MONTHS SINCE WE'VE HAD THE COMPUTER ON LINE:

o WE'VE SIGNIFICANTLY REDUCED THE LPTV BACKLOG, DISPOSING OF APPROXIMATELY 4,000 APPLICATIONS, OR ONE THIRD OF THE EXISTING BACKLOG. WITH THE ADDITIONAL FIVE LPTV POSITIONS WE RECEIVED FOR FY

1984, WE INTEND TO EXPAND OUR COMPUTER DATA INPUT CAPABILITY. THIS WILL ASSIST US IN REDUCING OUR BACKLOG AT AN EVEN GREATER RATE. WE HAVE GRANTED MORE THAN THE 400 LPTV AND APPROXIMATELY 500 TV TRANSLATOR LICENSES AND CONSTRUCTION PERMITS SINCE THE COMPUTER HAS BEEN ON LINE.

o THE FIRST LPTV LOTTERY TOOK PLACE ON SEPTEMBER 29, 1983. SINCE THEN, WE'VE HELD FOUR ADDITIONAL LOTTERY DAYS. TO DATE, 109 SEPARATE LOTTERIES COVERING MORE THAN 400 MUTUALLY EXCLUSIVE APPLICATIONS HAVE BEEN HELD. MINORITY APPLICANTS PARTICIPATED IN 63 OF THE LOTTERIES. UNDER THE MINORITY PREFERENCE SYSTEM CONGRESS ENACTED IN 1982 AND WHICH WE IMPLEMENTED LAST YEAR, 43 MINORITY APPLICANTS WERE SELECTED AS WINNERS.

o FINALLY, ON FEBRUARY 7, 1984, THE COMMISSION RELEASED A CUT-OFF LIST INCLUDING NEARLY 3,400 LOW POWER TELEVISION AND TRANSLATOR APPLICATIONS. THIS REPRESENTS THE BULK OF THE PRESENT BACKLOG, WITH MOST OF THE OTHER PENDING APPLICATIONS NOW BEING PROCESSED FOR INCLUSION IN LOTTERIES. RESPONSES TO THIS LARGE CUT-OFF LIST, WHICH CLOSED ON THURSDAY, MARCH 8, 1984, SHOULD PROVIDE A BASIS FOR EXPEDITIOUS PROCESSING OF SIGNIFICANTLY MORE LPTV APPLICATIONS; 1984 AND 1985 COULD THUS WELL SEE THE COMMISSION PROCESSING LPTV APPLICATIONS TO SERVE THE MAJOR METROPOLITAN CENTERS, AS WELL AS UNDERSERVED RURAL AREAS. AS OF MONDAY, MARCH 5, 1984, THE COMMISSION HAD RECEIVED APPROXIMATELY 6,000 RESPONSES TO THE CUT-OFF LIST.

ANOTHER PROGRAM FOR WHICH WE RECEIVED ADDITIONAL RESOURCES IS THE CELLULAR RADIO SERVICE. COMMERCIAL CELLULAR TELEPHONE SERVICE IS NOW A REALITY IN CHICAGO, BALTIMORE, WASHINGTON AND INDIANAPOLIS. THE COMMISSION HAS ACCEPTED APPLICATIONS IN THE TOP 90 MARKETS FOR CELLULAR MOBILE RADIO TELEPHONES. WE HAVE RECEIVED 1,157 CELLULAR RADIO APPLICATIONS AND WE EXPECT TO RECEIVE AT LEAST 2,500 MORE BEGINNING THIS FISCAL YEAR FOR THE REMAINING MARKETS.

WITH THE ADDITIONAL RESOURCES PROVIDED IN FY 1984, WE HAVE APPROVED SETTLEMENTS AMONG THE COMPETING NON-WIRELINE PARTIES IN TEN OF THE TOP 30

MARKETS AND DESIGNATED FOR COMPARATIVE HEARINGS THE PARTIES IN THE REMAINING 20 MARKETS. INITIAL DECISIONS HAVE BEEN RELEASED WITH REGARD TO NINE CITIES: CHICAGO, PHILADELPHIA, PHOENIX, PITTSBURGH, PORTLAND, SEATTLE, LOS ANGELES, ATLANTA, AND NEW YORK. WE EXPECT THAT INITIAL DECISIONS WILL BE RELEASED IN ALL OF THESE 20 CASES IN THE NEXT FEW MONTHS.

IN ADDITION, WE HAVE GRANTED ALL WIRELINE APPLICATIONS FOR THE TOP 30 MARKETS AND SEVEN OF THE WIRELINE APPLICATIONS FOR THE SECOND 30 MARKETS. WE HAVE APPROVED A SETTLEMENT CONCERNING NON-WIRELINE APPLICATIONS IN THE TOLEDO MARKET, ONE OF THE 31-60 MARKETS. THE COMMISSION HAS ALSO RECEIVED NOTIFICATION OF SETTLEMENT IN PRINCIPLE BY NEARLY ALL THE WIRELINE APPLICANTS IN THE CONTESTED 31-90 MARKETS.

FINALLY, IN THE FM RADIO PROGRAM, WE HAVE USED THE INCREASES PROVIDED IN OUR FY 1984 APPROPRIATION TO REDUCE THE BACKLOG IN EXISTING FM RADIO APPLICATIONS. IT IS OUR EXPECTATION THAT WITH THE TEN NEW POSITIONS WE WILL BE ABLE TO PROCESS AN ADDITIONAL 495 APPLICATIONS THIS YEAR, OF WHICH 180 REPRESENT NEW AND MAJOR CHANGE FACILITIES.

IN FY 1984 WE ALSO RECEIVED AN ADDITIONAL 23 POSITIONS TO IMPLEMENT DOCKET 80-90. INTEREST IN THESE NEW FM STATIONS, WHICH WERE MADE POSSIBLE BY RULE CHANGES WE ADOPTED LAST MAY, WAS SO GREAT THAT THE COMMISSION DECIDED TO ABANDON TEMPORARILY, THE "PETITION" METHOD USED TO AMEND THE FM TABLE OF ALLOTMENT. INSTEAD, WE HAVE PROPOSED 684 NEW ALLOTMENTS FOR FM STATIONS ON OUR OWN MOTION IN THE SO-CALLED "OMNIBUS" PROCEEDING. THIS NOTICE OF PROPOSED RULEMAKING WAS ADOPTED ON MARCH 1, 1984.

WITH THE ADDITIONAL FY 1984 RESOURCES WE HAVE BEEN PROVIDED, WE WILL NEXT MOVE TO ALLOCATE THE NEW FM CHANNELS IN THE "OMNIBUS" PROCEEDING AND THEN BEGIN ACCEPTING APPLICATIONS FOR LICENSES TO OPERATE ON THE NEW ALLOCATIONS.

I WOULD LIKE TO UPDATE OUR EFFORTS TO ENHANCE TELECOMMUNICATIONS COMPETITION THROUGH WHAT HAS BECOME KNOWN AS THE "ACCESS CHARGE" PROCEEDING.

THIS IMPORTANT PROCEEDING, AS YOU KNOW, DEALS IN PART WITH THE COMPENSATION PAID TO EXCHANGE CARRIERS FOR THE ORIGINATION AND TERMINATION OF INTEREXCHANGE SERVICES. ONE OF THE MAIN PURPOSES OF THE PROCEEDING HAS BEEN, AND CONTINUES TO BE, TO MAKE SOME SENSE OUT OF THE PRESENT HODGE-PODGE OF SETTLEMENTS, WHILE PRESERVING UNIVERSAL TELEPHONE SERVICE.

HOW THE ACCESS PIE IS CUT IS OF TREMENDOUS IMPORTANCE TO LONG DISTANCE SERVICE PROVIDERS. IT IS ALSO VITAL TO THE FUTURE HEALTH AND WELL-BEING OF THE NEWLY DIVESTED BELL OPERATING COMPANIES, AND, OF COURSE, ULTIMATELY, TO ALL RATEPAYERS. THE ACCESS CHARGE PROCEEDING ATTEMPTS TO BALANCE THE NEED TO MINIMIZE ANY ADVERSE EFFECTS ON THE COST OF SERVICE TO RURAL AND HIGH COST EXCHANGE CUSTOMERS WITH THE NEED TO REDUCE EXISTING SUBSIDIES. THIS WAY LARGER USERS WON'T BE DRIVEN TO ALTERNATIVE, BYPASS COMMUNICATIONS SYSTEMS RESULTING, OVER TIME, IN HIGHER RATES FOR ALL USERS.

THE COMMISSION'S ACCESS CHARGE DECISION OF DECEMBER 1982 ADOPTED A PLAN TO MOVE TELECOMMUNICATION SERVICES FROM A SUBSIDIZED TO A COST-BASED PRICING APPROACH, OVER TIME. THE COMMISSION ADOPTED FOUR GOALS:

- O PRESERVATION OF UNIVERSAL SERVICE
- O PREVENTION OF UNECONOMIC BYPASS
- O DEVELOPMENT OF AN EFFICIENT PRICING SYSTEM, AND
- O ELIMINATION OF UNLAWFUL DISCRIMINATION

THE FOUR GOALS HAVE ALWAYS BEEN IN TENSION. BUT, RATHER THAN CHOOSE ONE GOAL ABOVE ANOTHER, THE FCC DECIDED THAT ALL FOUR WERE VALID OBJECTIVES OF THE COMMUNICATIONS ACT. WE ALSO CONCLUDED THAT THE EXISTING STRUCTURE OF SUBSIDIES, TARGETED NEITHER TO HIGH COST AREAS, NOR TO POOR SUBSCRIBERS WHO MIGHT OTHERWISE BE UNABLE TO AFFORD SERVICE, WOULD COLLAPSE OF ITS OWN WEIGHT WITH THE ADVENT OF TECHNOLOGICAL CHANGE AND COMPETITION.

WE THEREFORE CREATED A UNIVERSAL SERVICE FUND TO SUBSIDIZE SERVICE IN PARTS OF THE COUNTRY WHERE TELEPHONE SERVICES ARE PARTICULARLY COSTLY. WE ALSO PROVIDED FOR WAIVER OF CUSTOMER ACCESS FEES THROUGH LIFELINE RATES. POOR PEOPLE CAN STILL OBTAIN BASIC TELEPHONE SERVICE.

THE ACCESS CHARGE DECISION WILL BRING TWO DISTINCT CONSUMER BENEFITS: LOWER LONG DISTANCE RATES AND THE CONTINUED INTEGRITY OF OUR PUBLIC TELEPHONE NETWORK IN THE LONG TERM.

AGAINST THIS BACKGROUND, I WOULD NOW LIKE TO GIVE YOU A BRIEF UPDATE ON THE COMMISSION'S RECENT ACTIONS ON ACCESS CHARGES AND TELL YOU WHAT WE PLAN TO DO DURING THE REST OF 1984.

ON JANUARY 25, 1984, WE AFFIRMED A TENTATIVE DECISION MADE ON JANUARY 19 TO MODIFY AND CLARIFY OUR ACCESS CHARGE PLAN. OUR FINAL DECISION WAS RELEASED ON FEBRUARY 15, 1984. ONE MAJOR MODIFICATION WAS DEFERRAL OF END-USER ACCESS CHARGES FOR RESIDENCES AND SINGLE-LINE BUSINESSES. WE DELAYED A $2.00 A MONTH END-USER ACCESS CHARGE AFTER REVIEWING THE REQUESTS OF CITIZENS, USER GROUPS, AND PUBLIC OFFICIALS. THESE PARTIES WERE CONCERNED THAT THE END-USER ACCESS CHARGE WOULD SUBSTANTIALLY HARM UNIVERSAL SERVICE. WHILE THE COMMISSION DOES NOT BELIEVE THAT UNIVERSAL SERVICE WOULD BE ADVERSELY AFFECTED, WE DECIDED TO PRESERVE THE STATUS QUO WITH RESPECT TO ALL END-USERS, EXCEPT MULTI-LINE BUSINESSES, WHILE WE UNDERTAKE FURTHER STUDY.

WE HAVE DEFERRED COLLECTION OF END-USER ACCESS CHARGES FROM RESIDENTIAL AND SINGLE-LINE BUSINESS CUSTOMERS UNTIL WE CONDUCT FURTHER ANALYSIS OF THE LONG-RUN AND SHORT-RUN EFFECTS OF THE ACCESS CHARGE PLAN ON UNIVERSAL SERVICE. OUR REVIEW WILL INCLUDE:

(1) DEVISING EXEMPTIONS OR TARGETING ASSISTANCE FOR SUBSCRIBERS WHO MAY NOT BE ABLE TO AFFORD END-USER CHARGES;

(2) EXAMINATION OF HOW BEST TO IMPLEMENT AN END-USER CHARGE FOR RESIDENTIAL AND SINGLE-LINE BUSINESS CUSTOMERS;

(3) A FURTHER INQUIRY INTO THE EFFECTS UPON UNIVERSAL SERVICE OF END-USER CHARGES AND OTHER RECENT FEDERAL DECISIONS AFFECTING TELEPHONE RATES.

(4) MORE DETAILED STUDY OF THE EXTENT AND DANGERS OF BYPASS; AND

(5) CONSIDERATION OF MORE EFFECTIVE MECHANISMS TO MEET THE NEEDS OF SMALLER TELEPHONE COMPANIES FOR ASSISTANCE.

THE COMMISSION HAS ALSO VOTED TO CONSIDER A GRADUAL TRANSITION STRETCHING TO 1990 FOR END-USER CHARGES GENERALLY, WITH A $4 CAP ON RESIDENTIAL AND SINGLE-LINE BUSINESS END-USER CHARGES DURING THE PHASE-IN. ALTHOUGH NO PRECISE SCHEDULE HAS BEEN SET, THE COMMISSION DIRECTED ITS STAFF TO ATTEMPT TO COMPLETE THESE FURTHER PROCEEDINGS BY DECEMBER 1, 1984, SO THAT IT WOULD BE POSSIBLE FOR ANY NEW PLAN AND TARIFF ARRANGEMENTS TO BE PUT INTO PLACE BY JUNE 1985.

ULTIMATELY, WE THINK SOME FORM OF ACCESS CHARGE PLAN SHOULD BE IMPLEMENTED BECAUSE WE CONTINUE TO THINK IT MAKES GOOD ECONOMIC SENSE. THE MORE EFFICIENT, MORE COST-BASED PRICING THAT ACCESS CHARGES WILL BRING ABOUT WILL HAVE POSITIVE EFFECTS ON OUR ECONOMY AS A WHOLE, AND IN THE LONG RUN, SIGNIFICANTLY BENEFIT AMERICAN CONSUMERS.

THIS COMPLETES MY PREPARED TESTIMONY. I WILL BE PLEASED TO ANSWER THE COMMITTEE'S QUESTIONS.

FEDERAL COMMUNICATIONS COMMISSION

Summary of Budget Estimates:

	Positions	Amount (Thousands)
Appropriation, Fiscal 1984	1,975	$86,383
Indefinite Appropriation to fund Ft. Lauderdale Monitoring Station relocation, 1984	- -	700
Base Adjustments:		
Pending Supplementals:		
Pay Costs	...	1,053
Program	...	...
Subtotal, Supplementals	...	1,053
Other Adjustments	...	1,738
Base for Fiscal 1985	1,975	89,874
Fiscal Year 1985 Decreases	-36	-938
Fiscal Year 1985 Increases	14	3,675
Appropriation requested for Fiscal 1985	1,953	$92,611

* * *

Our next request is that of the Federal Communications Commission. The amount requested is $92,611,000 an increase of $2,737,000 over the 1985 base, and provides for 1,953 permanent positions.

This funding increase will enable the Commission to begin responding to U.S. broadcasting licensee requests as a result of the Radio Broadcasting to Cuba Act of 1983, as well as meet audit requirements posed by the divestiture of AT&T, fund a number of fixed cost increases, further expand the use of automation to increase staff productivity, and fund a limited number of program improvements. These include the repair of rusting exterior building panels at our Laurel Laboratory and funds for additional contractual research to assist our review of high priority telecommunications issues.

Appearing on behalf of this request is Mark S. Fowler, Chairman of the Commission, who is accompanied by Ed Minkel, our Managing Director; Jack Smith, Chief of the Common Carrier Bureau; Jim McKinney, Chief of the Mass Media Bureau; Bob Foosaner, Chief of the Private Radio Bureau; Bruce Fein, our General Counsel; Richard Smith, Chief of the Field Operations Bureau; Bob Powers, our Chief Scientist; Bill Russell, Director of the Office of Public Affairs; and Tom Campbell, the Associate Managing Director for Operations.

Chairman Fowler, we will be pleased to hear your statement with regard to this request.

FEDERAL COMMUNICATIONS COMMISSION

Salaries and Expenses

($ in thousands)

Estimate by	1983 Actual		1984 Enacted		Current 1984 Anticipated*		1985 Estimate	
Budget Activity	Pos./WY	Amt.	Pos./WY	Amt.	Pos./WY	Amt.	Pos./WY	Amt.
Commissioners	36/49	$ 2,507	36/38	$ 2,090	36/38	$ 2,117	38/38	$ 2,211
Mass Media	409/408	18,405	446/437	19,018	446/437	19,258	451/439	20,592
Common Carrier	320/320	15,726	361/352	16,902	361/352	17,123	365/355	18,618
Private Radio	251/238	8,653	251/240	8,850	251/240	8,954	235/236	9,399
Field Operations	439/414	16,840	439/424	19,315	439/424	19,519	431/432	19,638
Science and Technology	126/131	6,764	126/125	6,516	126/125	6,597	123/122	6,985
Support	315/335	14,193	316/326	14,392	316/326	14,568	310/317	15,168
Total	1,896/1,895	$83,088	1,975/1,942	$87,083	1,975/1,942	$88,136	1,953/1,939	$92,611

* Includes any Supplementals

PRIVATE SATELLITE COMPANIES

Senator RUDMAN. That will be put up by private enterprise?

Mr. FOWLER. Indeed.

Senator RUDMAN. The satellite companies.

Mr. FOWLER. This is a new entrepreneur in this case but there may be others who would propose something similar. We might be in a position, Jack, where we might have to choose.

Mr. SMITH. Yes, sir.

Senator RUDMAN. Very well.

I have a few questions for you and we may have other questions from the members of the Subcommittee that will be submitted to you. We will keep our record open for some time this year in order to assure that we give everyone an opportunity with the kind of schedule we have.

FINANCIAL INTEREST/SYNDICATION PROCEEDING

You may count on further questions, but just to get something on the record this morning, I think obviously one of the most interesting developments that the FCC and the Congress jointly were involved in last year was the whole question of syndication. The Commission is free to act on this issue after May 10.

Mr. FOWLER. Yes.

Senator RUDMAN. I have quite an exchange of letters here between you and others. Tell us where we are.

Mr. FOWLER. Well, the purpose of that exchange of letters that I had with some of the key Senators was to attempt to further negotiations by encouraging the parties to get together and settle essentially the contractual dispute. I have publicly indicated I have some problems with that and I know you may have some different views on that, sir, but be that as it may, we are hoping the parties can still work this out because that could be relevant to our proceeding. If they don't, then we will have to proceed. But I would rather watch and see what happens with the process for the time being. I think it would be helpful if they could reach an agreement.

Senator RUDMAN. Is there some reasonable likelihood that by the deadline date here that there will be some agreement reached between the parties?

Mr. FOWLER. That is a very good question. It is hard to say. It goes up and down from week to week, and the situation seems pretty volatile. Some weeks the news is good, some weeks it is not so good. It is really going to be hard to predict and I am not currently able to tell you.

Senator RUDMAN. Well, certainly assuming that they don't reach agreement by the 10th in light of this legislative history and what has happened, I assume that the Commission will probably proceed very cautiously in terms of this, am I right?

Mr. FOWLER. Well, I would not want to say, Senator, what our position would be. I would rather wait and see what happens with these negotiations.

Senator RUDMAN. All right.

Mr. FOWLER. But I think it is also fair to say that we do have a large proceeding and, sooner or later, we obviously have got to bring the proceeding to a conclusion. Whether that will be done sooner or later I really don't know right now, it depends on what happens.

ACCESS CHARGE PROCEEDING

Senator RUDMAN. I will move on to another communications subject. In your testimony you of course note that the Commission voted to reverse its position on the $2 a month access charge for residential telephone users and single-line businesses. It looks like any new access charges will be delayed until at least June of 1985. In this way are we going to have an adverse impact on the service of AT&T?

Mr. FOWLER. Well, it has one adverse impact and that is that it eliminates an approximately 15 percent reduction in long distance charges in 1984 that we could have effected had we been able to move forward on the access charges. The problem basically is this; the access charge is a very poor term for what we are talking about; it really should be called the local loop charge. In other words, there is a wire that you have dedicated to your use exclusively, it connects your home or business to the telephone office. This costs about $11 billion. There are about $44 billion in costs in the United States involving—the local loop, the telephone poles and the maintenance each year—and that has to be paid by someone. Over the years historically what happened in order to keep the cost of local telephone service down and because long distance costs were coming down because of new technologies that made it more efficient; regulators reached a tacit agreement to load more of the local service on to the long distance portion. In your long distance interstate calls you now pay about 15 cents a minute in subsidies that are used to support local services, to pay for those wires.

What happens as a result of this is, if you make long distance calls, you are in effect paying for another person's local loop although he may have three times the income you have. This is not a terribly well targeted subsidy, but nevertheless you subsidize his local loop by virtue of your paying to make long distance calls. That is not fair, especially to the large users that have used our long distance network a great deal, particularly with the advent of computers where they will hook up a computer to another computer in another plant and it talks one with the other 24 hours a day on the circuit. A very small percentage of our long distance business users generate a very large percentage of the revenue.

Senator RUDMAN. What is that percentage? It seems startling to me.

Mr. SMITH. About 5 or 6 percent.

Mr. FOWLER. They generate 60 or 70 percent of the revenue, is that approximately correct?

Mr. SMITH. Yes, sir.

Mr. FOWLER. I think it is important to note that you are talking essentially about the cost of fixed plant. That means if you make one call or a hundred million calls, the costs are essentially the same so it is important that we keep those large users on the public network. What has happened is they said, well, wait a minute, the subsidy keeps getting larger and larger that we are paying so what we should do is just bypass the public network. It will be cheaper to build their own systems and they can do it now by either leasing satellites or buying them, using microwave and combinations thereof. They could save a lot of money because they pay a lot of money. If the large users leave the system, their fixed costs will have to be made up by those who remain captive subscribers so it would not be at all beyond the realm of possibility that people would be socked with $40 and $50 a month increases. This means that we really do impair universal telephone service. So three points.

One is that if we don't move to do something about this, we go to cost-based pricing. We are going to lose our long distance reductions of about 35 to 40 percent when we get done with this process.

Number two, we are going to see the local rates much, much higher as we lose large users to the bypass phenomenon.

Number three, we are going to lose the great national benefit from having a public system that is very efficiently used and is used to its maximum. That is, the more subsidy you load on to the public network, the less it is used and that means fewer calls are made, fewer sales are completed. Small businesses can't afford to use it for telemarketing because it will just cost too much. But if the costs go down, for example, they will be able to pick up the phone and use it more to make sales; they can't afford a sales force but they can use the telephone.

More computer uses can be made in rural areas. Doctors will be able to tap into medical banks at Johns Hopkins in Baltimore and get the latest medical advice dealing with a patient who is critically ill in a rural area. So the benefits to our society are great and some studies suggest that between 1984, Senator, and 1988 we would create about $46 billion of new wealth in our society at all levels as a result of creating more jobs, and promoting business. We could reduce prices of goods and services overall in America, almost 1 percent during that period of time, and why is that? Because communications is a vital component of cost and an integral part of the service.

We would reduce the national debt about $22 billion according to one study because it will enhance tax revenues as a result of business activity and the creation of about 400,000 new jobs. Those are some great national benefits. It is very difficult, I think. I have taken several minutes here to explain this to you.

Senator RUDMAN. That is all right, we have the time this morning.

Mr. FOWLER. The problem is when you try to explain this on a national basis, if you are on national television, you have 30 seconds.

Senator RUDMAN. Try to explain it to your constitutents in New Hampshire.

Mr. FOWLER. I am sure it is tough.

Senator RUDMAN. But the fact of the matter is, if you are correct and particularly in States like mine and the Chairman's State of Nevada, with a lot of rural telephone users and small users, if we were to do anything to encourage the large users to set up their own networks, either through lines or through elected satellites and computers, we will essentially deny the use of reasonably priced telephone service to the people in my State. We have been trying to get that message across. There is enough demagoguery in this issue, particularly I must say of the local politicians, that makes it very difficult to have a dialogue.

Mr. FOWLER. The question is a very good one; what is the effect of a year's delay?

Even if we are only waiting a year, I don't know—I have no way of knowing—what certain companies are thinking on plans for bypassing, but there may be some large users now who are wondering what Congress will do.

Senator RUDMAN. That is my understanding. As for New Hampshire, we have some people taking an interest in sort of a picturesque ski resort that holds elections every 4 years. As a matter of fact, it is the second most industrialized State in the Union. There are more jobs in the economy per capita in manufacture. There are 10 or 12 very large companies up there that would have a very easy time hooking up to the satellites and doing 90 percent of their telephoning out of the State; that would be very serious. I believe that it is important that the Commission, through various public media that it uses, in particular try to get its message across, because these things are of interest.

AT&T SERVICE AFTER DIVESTITURE

Let me go on to a related question. There has been quite a bit of complaint about the level of AT&T service to business customers; in fact, there were some articles in the public press in the last 72 hours in which AT&T said, yes, we have real problems, we are having a hard time coordinating these problems, we are waiting for very good service. At what point do you expect service to return to what we would call acceptable levels?

Mr. FOWLER. Well, we have a very real problem, Senator. We are hoping over the next 3 or 4 months that AT&T can turn the corner and work out some of these problems that I hope are transitional.

I will ask Jack Smith to comment.

Mr. JACK SMITH. Most of the difficulties started last December when a lot of the big users realized divestiture was going to occur January 1 and they decided there might be some problems after January 1 of getting service so they all put in service orders and they tripled the amount of service orders that AT&T was expecting last December. In January, that big glut of orders began to snowball and delay started. The problem has gotten worse. They are trying to order new lines and are experiencing delays beyond a month now. It used to take 22 days to get service installed and I think now they have backed it up to 48 days and, in fact, in that 48-day level there are only 1 out of 4 of those orders filled.

So AT&T has come in and they have been through a thousand people with this and I know the Chairman spoke to them and I spoke to them, the Commissioners have spoken to them. We wrote them a letter, AT&T and the Bell operating companies, last week and they are all supposed to respond next week giving us the exact details and the financial picture and we are very hopeful that we won't have to resort to regulatory measures. We are very sincere about it. I am not sure that we are going to reach predivestiture levels, before the first of the year, as the Chairman said.

We would like to see the corner turned and stop the deterioration and start to get better in the next few months.

REGIONAL OPERATING COMPANIES—EQUIPMENT SALES

Senator RUDMAN. Many of the Bell operating companies are continuing to compete both with AT&T and with independent telecommunications equipment manufacturers for business telephone systems. Before the breakup of AT&T, the Bell companies were required to set up central operations groups, or COGS, to schedule wiring on a first-come, first-served basis, whether or not AT&T sold the system.

Does that requirement still exist, or if not, is there a danger that the seven Bell operating companies will use their control of regional phone networks to accelerate the wiring of systems that use their equipment to the disadvantage of their competitors?

Mr. JACK SMITH. Well, as a matter of fact, the Bell operating companies still have what we call COGS and the problem is I think some people like NATA have been disturbed that the COGS while previously they may have been used for the installation of the Bell System products as well as the independent products, now the COGS are only being used for installation of Bell System products and they have filed petitions before the FCC. As a matter of fact, the Chairman has scheduled those for the agenda for March 30th, so the Commission will be ruling on that issue.

POST AT&T DIVESTITURE AUDITING

Senator RUDMAN. Now you have requested four additional auditors for 1985. Will this be enough to take care of the enhanced responsibility of the breakup and the more complicated accounts? Each of the operating companies is essentially doing its own accounting. Would that be enough for you?

Mr. JACK SMITH. This is what we are talking about for 1985. We will see what we can do with these four positions as a nucleus. We can't just hire these people off the street and they hit the ground running. We have very highly trained people right now, but we are not quite sure of the scope of the program that has come from USOA. These four people form the nucleus of a team with which we are going to start the program and if we need more, I can assure you we will be back.

Senator RUDMAN. It would seem to me and the staff of the subcommittee that you would have to reasonably expand the audit section because of the fact that we are dealing with not only a much larger entity but with a series of entities.

Mr. SMITH. I am sure you are aware that the Commission has adopted a separate structure for this and issued rules. This separate structure decreases our need for a lot more accounting people. Because of the separation, they can go right in a lot more easily. Their operating results are not commingled. We don't have any actual experience with that yet, since the separate structured program is supposed to be instituted June 30, but we are very hopeful that with the nucleus we will be starting with and the structural separations, that this will be enough. We are not saying that it will be enough. If we need more, we will have to be back.

Senator RUDMAN. All right. Let's move to another subject.

POLITICAL BROADCASTING AND FAIRNESS DOCTRINE

Mr. Chairman, in 1983 the Commission issued a notice of rulemaking to receive comments on the possible repeal of the personal attack and political editorial rules. In addition, you have questioned the application of the Fairness Doctrine to the broadcast media as an unnecessary infringement on free speech. Will the Commission take steps this year or in 1985 to repeal the personal attack and political editorial rules?

Mr. FOWLER. We are not going to do anything in fiscal year 1984.

Senator RUDMAN. 1985?

Mr. FOWLER. I think it is important that we move on all fronts. I believe that when the Founding Fathers said that Congress should make no law abridging freedom of speech and the press that no means no, and my personal view is that rules such as the Fairness Doctrine do not work. Broadcasters are reluctant to get involved in discussing controversial issues because they can be hauled up before the Commission for allegedly being unfair. So we have editorials on television applying to Mother's Day and new parking spaces that were made available because of the downtown businessman, but we don't have any real substantive discussions or we have, I think, a lot less than we would have if we get rid of the restrictions. It is really a form of censorship the Federal Government is able to impose on information if you think about it because in our exalted roles here as Commissioners we have the ability to don our censor's garbs and wield a grease pencil and order a network or a local station to put a program on the air because they were not "fair."

Now fairness is a fine thing but the problem is with the Government acting as a censor. We do censor when we order somebody to do something, to print something, or to say something that they would not print, that is censorship. So the basic dialog and debate, it is something that reasonable people can disagree about, is between those who want a free flow of information in society and those who want a fair flow; in my view I choose free even though it may not always be fair because I think that is really the important freedom in America which makes all the other freedoms possible.

I think this debate is just now getting underway but I just don't see any reason why a broadcaster should not be as free as newspapers and I think the print model is the right way to go. I am dedicated to honoring the first amendment. I think it is important to note that when our Founding Fathers promulgated that great amendment in 1791 there were only eight weekly newspapers. They didn't do any concentration study or scarcity study, they said those eight shall be free.

As I said, a lot of people can disagree. The equal time law in my view does not work either because it discourages broadcasters from being able to feature candidates, particularly those who are the most viable candidates. When you have a fringe candidate and you want to put on the main candidates for half an hour, what you wind up with is no debates, no willingness to put either incumbent or someone else on and you just don't do it at all. I think the people are the losers.

Then beyond that this idea that we have got to make sure that everything is equal and we have got to make sure that everything is fair, it seems to me is pernicious in the sense that it evinces a disrespect for the abilities of the common man to be able to decide the truth or discern the truth. Are the various sources fair, unfair, moderate and reasonably balanced or shrill and partisan? If it works for the print media, and I think it does, over 200 years it seems to me it does, I don't see any reason why it shouldn't work for the broadcasting media. That is basically my position.

FAIRNESS DOCTRINE

Senator RUDMAN. Of course there is, I guess, a difference in the sense that what you regulate is owned by the American people. The licenses are not owned, but the right to license is owned by the American people—these channels, these frequencies. I think that certainly as a constitutional argument you make great sense. I think the problem is what has become increasingly the discretion of where the American people are getting their information.

I saw a very interesting study that was published a few weeks ago on economic reporting in the last 9 months. Eighty-eight percent of the stories on the economy on the three major networks in the last 9 months have dealt with those pockets of poverty and unemployment that still do exist in the country—88 percent. So if the viewer was only watching television, that viewer would have thought the country was still in deep recession and not that a strong recovery was on. I worry about that.

The only network that reported fairly, according to the study, was Cable News Network.

Mr. FOWLER. Well, I think that a lot of people certainly feel the way you do. I sometimes look at television and the news and I think that I would feel that way, too. I think the key point here is that some would say that in 1980, for example, the press was just starting to favor Ronald Reagan. My point is that the common man I think is able to sift all that out. Senator, a Time magazine article has noted that the credibility of the press was at about 33 percent. I think that that is the problem they have in getting things right instead of getting things first. But that is not my rule. My rule is to insist on a free, even unfair, press. Over the long term I think that will serve our interests better and I think that will assure our children, those who follow, that we will always have a free society. I am frightened by the fact that we still have the tools of censorship in the central government here in Washington and that sounds to me a lot like, as I have said before, Moscow rather than America. As I said, the debate is just now starting and thoughtful people can disagree on that one.

RADIO MARTI

Senator RUDMAN. Let's talk about Radio Marti which is due to go on the air in April.

Mr. FOWLER. I think that is correct, yes, sir.

Senator RUDMAN. Will you be monitoring the effects of jamming, if it occurs?

Mr. FOWLER. Yes, indeed. As you may know, we have legislation that was passed and there are two things that we want to do. One, we want to monitor and see what the interference parameters might be. That is, if a station is on the air, to what stations is it causing interference, where and how much. So we want to be able to have people in the field. The second thing is we will have a program set up to enact the compensatory mechanism that the Congress intended.

Senator RUDMAN. You are going to have to determine the monetary loss to the broadcaster, and that is going to be very difficult.

Mr. FOWLER. Well, it may not be so difficult because we just yesterday adopted a Notice of Proposed Rulemaking.

Jim, do you want to speak to that?

Mr. MCKINNEY. The procedures are now in hand and the rules are written that indicates to broadcasters what they have to submit to us and what we have to do for compensation and how we will process and send them on to USIA for payment. I would point out, however, that it is our understanding that no moneys have been appropriated for USIA to make payments and indeed that is a problem.

Senator RUDMAN. It certainly is.

Mr. FOWLER. But not ours, I don't think.

LOW POWER TELEVISION

Senator RUDMAN. For several years the subcommittee has been concerned about the large backlog of applications for low power television transmitters and translators. Last week the Commission had a deadline for applications to be received for specific frequencies and sites on a cutoff list. How many applications were received and how quickly can they be processed?

Mr. FOWLER. We received approximately an additional 25,000. When I first came into office we had a mess there because we had about 4,000 on file. It took us a year or so to promulgate standards and then we had about 12,000 or 13,000. Jim McKinney, I am very proud of his record in his Mass Media role, with the Mass Media team over the past year has reduced that by 4,000. Now we have 25,000 more. We hope to be able to have those all put into computers and be able to start holding lotteries at the end of this year. We have 25,000 of them and I would say right now morale is a little low in that particular branch because they have worked so hard and now they have to start again.

Jim, do you want to elaborate on that?

Mr. MCKINNEY. Yes. It should be pointed out that we do in fact have from the previous batch 3,000 that are freed that we can hold lotteries on. So, as we deal with this new 25,000 we will in fact be holding lotteries with the previous batch and licenses will continue to be granted throughout this process. But with 25,000 new applications, we are fairly backed up. It will be about 8 months before everything will be in the computer and we will begin holding lotteries on those.

DAYTIME AM RADIO

Senator RUDMAN. Now you recently allowed, Mr. Chairman, daytime AM radio broadcasters to expand their hours of operation, thereby effectively cutting into the operations of nighttime clear channel stations that serve rural areas. What was your rationale for this and does the Commission plan further actions in this area?

Mr. FOWLER. Essentially, Senator, we felt that the daytimers needed some relief. Operating a daytime station has been a difficult proposition over the last several years with the advent of FM. The daytimers have always been in the secondary position, so to speak, because of the hours that they serve, so we wanted to try to get them some relief, to do it in a way that did not materially impinge on the service areas of the Class 1A stations. We tried to do some balancing here and what we did was to set the time limit beyond which they could not go in the evening to sunset or to a specific local time, whichever came first, depending on the location of the channel and also permitting certain power; a lot less than you have in the day time but enough that they could be heard in the community during those extended hours.

We do have on reconsideration now a petition by the daytimers asking for perhaps a little more power, a little more juice, and perhaps a little more time. We are looking at that right now. I cannot tell you what the result will be because I honestly don't know yet; but we are looking at that now. Anything we do, we don't want to materially harm the channel.

Jim, do you want to add anything to that?

Mr. MCKINNEY. Only that it is on a fast track and we would expect it to be on the agenda of April 11.

FM RADIO DROP-INS

Senator RUDMAN. Let's talk about your Docket 80–90. The Commission decided to tighten the spacing requirements for new FM radio stations, thereby allowing the addition of new FM stations throughout the country. Are you now at the stage where you can begin allocating frequencies for new service?

Mr. FOWLER. Yes, sir. We just came out with an order which talks about 684 more channels in 684 different communities around the United States. For the next several months we will be receiving petitions from people who want to say, well, this channel should not go here, it should go to the next community 13 miles away, it should be licensed there and the reasons therefor. Technically that community needs it more and this kind of thing. Then at the end of this year, Jim, we hopefully will have that worked out and make final decisions where those 684 more stations go in terms of where they are licensed and then begin to receive applications.

Do you want to take it from there?

Mr. MCKINNEY. Yes. Again a separate comment that you provided us funding to handle this program last year and we have been very diligent in filling those vacancies. Ten of the positions became available to us last October, 9 of those 10 are filled and operating and processing applications already. There are an additional 23 people coming specifically for Docket 80–90. We have already recruited 10 of those 23. So the program is well in hand. I think we have the resources to handle it and we don't expect any major delays.

Senator RUDMAN. What is the new space control or does it vary from place to place?

Mr. FOWLER. It is complicated. I will let Jim describe that to you, sir.

Mr. MCKINNEY. It is much too complicated to be given to you here. I will be happy to give you a grid that shows it. It depends on the power of any two stations involved whether a large station is distanced approximately I think 170 miles from that grid. There are also distances that are applicable to a first adjacent channel and a second and third adjacent channel. It is a rather complex formula but indeed what we found when we redesigned the formula is that we had some 700 cities that can get new service that could not get it before, so you can see there was some considerable spacing that was not getting used.

Senator RUDMAN. Do you have computer models that set up the frequency management?

Mr. MCKINNEY. Yes, fortunately we do. Many computers deal specifically with only that process.

Mr. FOWLER. We have put a lot of money into ADP since we came on board and we think it is money well spent.

Senator RUDMAN. FAA of course has had very serious frequency management problems in the last few years now with the computer.

Mr. MCKINNEY. I would just quickly tell you also that to issue an order from the Commission in a period of about 6 months to open up opportunities to 700 cities it would normally take us 2 to 3 months to process just one or two cities on an individual basis. However with the use of the computers, and the resources made available to us we will be able to do that in much greater numbers in a much shorter period of time.

COMMISSION INTERNATIONAL ACTIVITIES

Senator Rudman. Mr. Chairman, your justification indicates substantial FCC activity in a variety of international conferences and negotiations involving the allocation of radio frequencies between various countries of the world.

As an independent regulatory agency, what role does the FCC play in these negotiations?

Are telecommunications policy decisions determined by the State and Commerce Departments, or does the Commission also indicate its foreign policy preferences? How does this work? Probably not very well.

Mr. Fowler. It is complex and obviously there is disagreement sometimes. We try to work on the consensus basis but sometimes consensus is disaster so you can have some differences that take a while to work out. Our track record on conferences is quite good I think. For each major conference we have, we insist on a mini-management program with objectives.

Six objectives, for example, for this particular conference and then action plans. Just as we would run an agency, we run a conference the same way. The other method we use in technical conferences is to set up a home team and a field team. The field team obviously is at the conference. We have a computer terminal there. We have our computer back in Washington with our home team. We are able to run on a real time basis any kind of questions that need to be answered, not only for ourselves but for other delegations, even those hostile to our positions, and in this way create good will and also have other people coming up with a couple of innovations. So we have very tightly managed all of our conferences and so far our track record has been quite good in representing vital American interests.

Our role essentially is a technical role. Also, there is a lot of policy involved. Basically in the international area what we are attempting to do is further our view that a competitive marketplace environment is the best way to go. We have to deal with state-run monopolies in other countries so that creates a real tension. In other words, for example, the submarine cable goes from America, the land of the free and the home of the brave, fully competitive and fully free enterprise and hooks in with a French state-run monopoly that runs all the telecommunications where they don't want to have forms of competition.

So the attention is there in trying to move forward because we cannot unilaterally insist on what is being done on the other end. Technology is finding new uses of spectrum and providing new services. There is a great deal of pressure interestingly enough on these monopolies internally in their countries from the large users who want to have available all these new services, want to have more than one choice, so the political process internally in these countries is a very interesting one.

ADDITIONAL RESOURCES REQUESTED

Senator RUDMAN. We probably ought to talk a little bit about specific funding questions since this is an appropriations hearing. Let's move on to some of those.

By far the largest increase in the Commission's budget request is $2.5 million in additional rental payments to GSA. During last year's hearing we expressed concern about a similar proposal and as a result held the increase to 7 percent and reduced the request by $3 million.

How is GSA justifying to the Commission another large boost in rates?

Mr. FOWLER. I don't think we really ever heard a justification that we think is a reasonable one. The CPI is running 4 or 5 percent. We can see 7 percent as just and reasonable, but 47 percent, that sounds like the Chilean consumer price index.

Senator RUDMAN. I am not familiar with how you settle those kinds of disputes. You are an independent agency. How do you mediate that? I suppose if we don't give you the money, that's it. Is that what it comes down to?

Mr. FOWLER. Ed, you can field this one.

This is Ed Minkel.

Senator RUDMAN. All right.

Mr. MINKEL. They just come and tell us what the charges are and we go back and we argue. Right now, for example, we are arguing 7 percent versus 14 percent. Congress said that they will charge us 7 percent and they are charging us 14 percent. Recently we wrote a very strong letter back to them stating that Congress intent was 7 percent and we have not received an answer back. That's how we operate.

Senator RUDMAN. As a practical matter if we don't give you the money, there is no way that GSA can charge you that, isn't that true? Can they get deficiency judgments against you personally?

Mr. MINKEL. They can't kick us out.

Mr. CAMPBELL. What they do have is a simplified system of intergovernmental billing which basically means that they go to the Treasury Department and note for their account that the transfer of so much money should be made for rental payments and then we are given notice of that after it takes effect. So what happens is they can in effect get into our checking account, if you will, pull the funds out they need and then we have to go back to them with the charge back. In the letter Mr. Minkel described a moment ago, we included a charge back document saying, well, now we would like the $235,000 back that you appear to be overcharging us.

Senator RUDMAN. Is there a resolution process for this? Is there some third party?

Mr. CAMPBELL. I think OMB might be the ultimate decider on these matters. This last year Congress set our limit at 7 percent; however, in the Treasury Post Office bill, there was some language about a 14-percent increase and GSA is still considering which one of those alternative rates to use in fiscal 1984.

SUBMITTED QUESTIONS

Senator RUDMAN. Mr. Chairman, we are going to submit some questions to you which have been submitted by Senators Hollings, Eagleton, and Chiles and about two questions submitted by Senator DeConcini from Arizona.

Thank you very much for your appearance this morning.

Mr. FOWLER. Thank you, Senator.

Senator RUDMAN. You will have ample time to answer these by May 1, I am sure.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

Question: The Commission is proposing a pay supplemental of $1,053,000 for FY 1984. Is this 100% of its needs? If not, where will funds be absorbed to meet the shortfall?

Answer: The $1,053,000 request for a pay supplemental represents only partial funding of the total $1,916,000 required to fund pay increases in FY 1984.

We anticipate realizing savings as a result of lapse which occurs during the time after a position is vacated and until that position is refilled. Any substantial further savings would require implementation of employee furloughs.

Question: The justifications of many Federal agencies include increases in telecommunications costs due to the imposition of an access charge. Will government agencies be charged on the same basis as multi-line businesses?

Answer: Government agencies with multi-line telephone systems will be treated as multi-line businesses and be charged multi-line business fees upon imposition of access charges. As the proposed telephone company tariffs are currently drafted, the only exception to the imposition of the multi-line business charge would be when a particular company or government agency has only one business line in a given state; e.g., an FCC field office with a single line in a state where no other FCC office exists.

Question: The Commissioners Activity is proposed to receive 2 additional permanent positions in FY 1985. Why are these positions needed when other activities are being reduced?

Answer: The two additional positions are required to bring the authorized ceiling in line with on-board staff. In FY 1984 we have been able to add unbudgeted workyears to the Commissioners Activity. These unbudgeted workyears are needed to meet the workload connected with answering Congressional inquiries. Funds for these workyears are made available through the savings occurring from the lapse in filling vacancies elsewhere in the Commission. The Office of Management and Budget requested that we provide full-time permanent postions to cover these workyears and resolve the discrepancy between positions and workyears.

Question: How many FM applications will be received, processed, and approved under Docket 80-90 in FY 1984 and FY 1985?

Answer: During FY 1984, we anticipate 376 filings as a result of Docket 80-90 in addition to the 940 applications we would otherwise expect for new FM broadcast stations and for major changes in the facilities of existing FM stations. During FY 1985, Docket 80-90 is expected to generate an additional 790 applications for new or major changes on top of the 1000 filings we would otherwise anticipate.

Docket 80-90 applications for construction permits will not be processed separately from other applications. Indeed, in many cases it would not be possible to determine whether or not an application was filed as a result of Docket 80-90. And, from a processing point of view, even if it were possible, keeping Docket 80-90 cases separate from the rest would be burdensome and of no particular benefit. Accordingly, our disposal estimates do not differentiate between regular cases and Docket 80-90 cases.

During FY 1984, the FM Branch is expected to dispose of 1320 new and major change applications, and during FY 1985, another 1980 cases. We estimate that 40%-50% of these applications will be designated for hearing in comparative proceedings, 25% will be dismissed or returned as unacceptable for filing, and the remaining 25%-35% will receive authority to construct without hearing. Of those designated for hearing, approximately 30% will end up with grants. Applying these estimates to FY 1984 and FY 1985, we conclude that during FY 1984, between 530-660 cases will be designated for hearing of which 160-200 will end up with grants, 330 will be dismissed or returned as unacceptable for filing, and the remaining 330-470 will receive authority to construct without hearing. During FY 1985, between 790-990 cases will be designated for hearing of which 240-300 will ultimately get grants, 495 will be dismissed or returned as unacceptable for filing, and the remaining 500-700 will receive authority to build without hearing.

Question: In FY 1985, the Commission intends to address the issue of TV "loud" commercials. What specific area will the Commission investigate?

Answer: The Commission recently completed laboratory testing of a loud commercial controller developed by the CBS Technology Center. Our testing indicates that the device, which is based on the characteristics of the human ear, can help broadcasters resolve the loud commercial problem. The laboratory report has already been published and we plan to provide additional information to the general public.

It appears that loud commercials can now be controlled better than ever. Market pressures by television viewers could provide the necessary impetus for broadcasters to use such devices once the public becomes aware of their existence.

The Commission will be reviewing its outstanding Notice of Inquiry concerning loud commercials in view of the recent technical developments in this area.

Question: The Commission will also be looking at local TV/Cable cross-ownership in FY 1985. Does the FCC intend to issue a report and order in this area, and if so, what issues will it address?

Answer: Marsh Media, Ltd., filed a petition with the Commission, November 24, 1980, requesting elimination of the local TV station/cable system cross-ownership prohibition of Section 76.501 of the Cable Television Rules. The Commission plans to act on that petition during FY 1985, commencing, if appropriate, a rulemaking proceeding to review the cable cross-ownership rules. The precise issues to be addressed will be determined at such time as a Notice is issued and their resolution will depend in part of the responsive comments received. Any reexamination of the rules will involve a review of changes in the video marketplace since 1970, when the rule was adopted. In the context of the goal of balancing maximum economic competition and ideological diversity, the issues involved may include whether or not there is an inherent conflict between the operation of a cable system and a co-located TV station, the competitive nature of the relevant industries (i.e., local TV, cable TV, programming and program distribution), and the current and potential concentration of ownership in these industries.

Question: In 1984, the justification states that FM translator applications are expected to increase by 504% in conjunction with low power FM service which the Commission is scheduled to consider. Will applications for low power FM service and FM translators be processed together, as is currently being done with low power TV service and TV translators?

Answer: The increase in FM translator applications expected in FY 1984 reflects filings in anticipation that the Commission will adopt a low power FM service. However, the Commission has not yet decided whether to propose such a service. The question of low power FM is scheduled for an April 1984 agenda. Until the Commission makes a decision on this matter it would be premature and speculative to state how it might treat FM translators and low power FM stations.

Question: The Commission has received numerous applications for low power TV and TV translator permits which it characterizes as "daisy chain" applications. Is there a mechanism in place to differentiate between legitimate applications and those designed to monopolize certain locations to the financial advantage of the party applying? Will the Commission consider regulatory action in this regard when it proceeds to rulemaking on low power FM service and FM translators?

Answer: Several procedures have been instituted by the Commission in order to discourage applicants that do not have a genuine interest in seeking and operating a low power TV station. When it adopted the lottery regulations, the Commission added two new certifications to the application form which each applicant must complete before it will be entered in a lottery. The first certification states that the applicant is the real party in interest and that no agreement, either explicit or implicit, has been made to transfer or assign the license at a later date to any other party. The second certification requires the applicant to attest that there is no other application pending that would be directly mutually exclusive with this application in which the applicant has an interest of one per cent or more. Additionally, after an applicant has been selected in the lottery, any party in interest may file a petition to deny against that applicant raising any matters that would reflect on its qualifications to be a licensee. Should a substantial and material question be raised as to the genuineness of its application, the Commission would designate the application for an evidentiary hearing. If an applicant were disqualified in the hearing, all of its other low power applications could be subject to summary dismissal.

As to low power FM service, the Commission has not yet considered whether to adopt such a service. Until it does, it would be premature to state how it might proceed in this matter.

Question: What standards will the Commission use in determining the appropriate level of compensation awards under the Radio Broadcasting to Cuba Act?

Answer: AM radio broadcast station licensees who in the future seek compensation for allowable costs incurred in changing station facilities to mitigate Cuban interference will be required to show that:

-- the Cuban signals cause interference to reception of the station's signals for at least 10% of the total population within the area where the station would otherwise provide interference-free service; and

-- the Cuban signals are detectable within the station's service area on at least half the days during a sixty-day test period.

Stations that incurred expense for facilities changes to mitigate Cuban interference in the past, before the enactment of legislation authorizing compensation, and obtained FCC authorization for remedial facilities changes are presumed to have experienced a significant degree of such interference, and are not, therefore, required to make the foregoing showing of the substantiality and incidence of the interference.

Stations meeting the foregoing threshold requirements would be considered eligible for compensation, as provided in Section 7 of the Radio Broadcasting to Cuba Act, for the following costs:

-- the undepreciated portion of the cost of equipment that has to be replaced in order to mitigate Cuban interference;

-- reasonably and prudently incurred technical and engineering costs associated with the facilities change, but not including any part of the cost of the new equipment. The allowable costs include the costs of planning, engineering and testing the new facilities and performing pertinent monitoring of Cuban signals. The costs of legal fees and land acquisition or leasing are not reimbursable.

Question: Does the FCC have adequate monitoring equipment and processing equipment to establish baseline interference and signal standards associated with the Radio Broadcasting to Cuba Act?

Answer: The Commission has requested $101,000 in FY 1985 to purchase the technical and associated equipment necessary for the Field Operations Bureau to begin establishing baseline interference levels. These funds will be used to procure receivers, controllers, antennas, ADP equipment and vehicles, and to lease the necessary telecommunications lines to ensure an efficient and effective baseline measurement monitoring system. In addition to these funds, the Commission requires an additional $174,000 to purchase ADP equipment necessary for field verification monitoring ($9,000), to process the Special Temporary Authority (STA) applications ($13,000), to process the broadcasters' claims for reimbursement ($27,000), to conduct the required engineering analyses ($9,000), and to purchase miscellaneous ADP support items, including the upgrade of the VAX minicomputer and equipment maintenance ($116,000). These requirements are currently unfunded.

Question: The International program of Mass Media Activity had an increase of 2 work-years in 1984. How were these work-years used?

Answer: The 2 work-years are being applied primarily in two areas of international effort. The first area relates to preparations for upcoming international conferences, such as the 1985 Space WARC and the 1986 1605-1705 kHz expanded band AM broadcasting RARC (Region 2), and implementation of recent international conferences, such as the 1981 AM broadcasting RARC (Region 2) and the 1984 Broadcast Satellite RARC (Region 2). The second area of effort relates to international negotiations for new bilateral AM/FM/TV agreements and the implementation and rulemakings that will be subsequently required.

Question: What is the role of the FCC in international negotiations regarding the allocation of radio spectrum? Is the technical expertise of the Commission duplicated by the State Department and the National Telecommunications and Information Administration?

Answer: The FCC is a key player in all international negotiations regarding the allocation of the radio spectrum. In the U.S., use of the radio spectrum is managed jointly by the FCC and NTIA, with the FCC being responsible for all non-federal government use of the spectrum and NTIA being responsible for all federal agency use. In many parts of the radio spectrum the allocations are available for use on a shared basis by both federal and non-federal users. In these cases there must be very close cooperation between the FCC and NTIA to ensure that all users of the spectrum can operate in a satisfactory manner. This coordination and cooperation is extended into international forums, where decisions concerning the radio spectrum can affect both federal and non-federal users. At this point, the Department of State becomes involved because of the many foreign policy considerations that may arise in these negotiations.

There is very little duplication of expertise among the three agencies, aside from very broad expertise in the subject of spectrum management. FCC and NTIA personnel are very familiar with the requirements and characteristics of the services that they authorize, and neither agency is in a position to speak fully for the services that the other authorizes. State's expertise is of an entirely different nature, encompassing an understanding and appreciation for a wide variety of foreign policy issues, some of which, while only remotely linked with telecommunications, could have profound impacts upon our negotiations at international meetings. Each of the three agencies is an important unique component of our international radio spectrum management activity.

Question: Recently, the FCC struck down AT&T's proposed $.75 charge for long distance information and replaced it with a $.25 charge. How have you arrived at this figure? Shouldn't any proposed access charge cover such costs?

Answer: The Commission recently acted to prescribe a $.25 charge that local exchange companies, including the local Bell Operating Companies (BOCs), may charge AT&T and other interexchange carriers for providing directory assistance. The local carriers had proposed a range of charges for the operator portion of a Directory Assistance Service call. The Commission found that many of these changes were not adequately supported or explained in the tariff material. Accordingly, we prescribed an interim $.25

maximum rate level for the operator assistance portion of a Directory Assistance Service charge. It appeared that this figure was in the direction of costs. In developing its $.75 charge, AT&T determined that $.64 was the average rate for the operator assistance proposed by the BOCs and used this figure to develop its $.75 rate. As a result of the Commission prescription, it is expected that AT&T will reduce its $.75 charge accordingly. In fact, in a March 6, 1984 letter to the Common Carrier Bureau, AT&T indicated that a $.50 charge may bemore in line with its costs.

Question: Many of the Bell Operating Companies are continuing to compete both with AT&T and independent telecommunications equipment manufacturers for business telephone systems. Before the breakup of AT&T, the Bell companies were required to set up central operations groups, or COGS, to schedule wiring on a first-come, first-served basis, whether or not AT&T sold the system. Does that requiement still exist, or if not, is there a danger that the seven Bell Operating Companies will use their control of regional phone networks to accelerate the firing of systems that use their equipment to the disadvantage of their competitors?

Answer: Centralized Operations Group (COGs) continue to operate in all BOCs; three of the sevan Regional Bell Operating Companies (RBOCs) have agreed to use the COG mechanism in providing network services for their own Customer Premises Equipment as well as that provided by customers and other vendors. In the BOC Separation Order, FCC 83-552 (released December 30, 1983) which applied modified Computer II structural separation conditions to the divested BOCs, the Commission required the BOCs to retain written records documenting evenhanded provision of service between their Customer Premises Equipment operations and those of competing vendors. NATA's Petition requests that the Commission require the BOCs during the six month transition period provided for in the BOC Separation Order to process all service requests for Customer Premises Equipment interconnection through the COGs.

Question: Last year, the Committee directed the Commission to provide funding for periodic meetings of the Joint Federal-State Telecommunications Board. Meetings of the Board provide an opportunity for those regulating the telecommunications industry to coordinate policy, and that has been particularly important due to the problems surrounding the breakup of AT&T. Have meetings been held this year, and does the Commission intend to fund further meetings in 1985?

Answer: A Joint Board meeting was held at the end of November 1983. A Joint Board staff meeting was also held in February 1984. We expect that travel expenses for the Joint Board members and staff will amount to $50,000 or more for the remainder of this fiscal year. This is in addition to the approximately $10,000 which we have already spent this fiscal year. We currently have set aside $60,000 in travel funds for FY 1985 for this purpose. We have, however, expanded the scope of the Joint Board program to cover the following issues:

1. Implementation of end user charges,
2. Life line assistance, and
3. Additional high cost assistance for small telephone companies.

As a result we expect that we may need an additional $48,000 in FY 1985 travel funds.

Question: The Commission is requesting an additional four positions for the Accounting and Audits Program of the Common Carrier Activity. How does the requirement to audit the seven Bell operating companies change the scope of work previously done by this program?

Answer: In the past, when auditing AT&T, we were able to audit primarily at a single location, New York, and interpret the results of these audits as being representative of the entire Bell System. This was possible because all Bell System companies followed centralized procedures. However, as a result of divestiture and the restructure of the Bell operating companies each Bell company has established its own procedures. To review the procedures of these new companies our auditors must now visit each of the seven Bell operating companies. The four positions for the Accounting and Audits Program will be the core of new audit teams that will audit the new Bell companies.

Question: The Field Operations Activity will be reduced by eight positions according to the budget justification. However, workyears will be increased by the same amount. How will this occur giving specifics in each program area?

Answer: In FY 1984 the Field Operations Activity is allocated 439 full-time permanent positions and 430 workyears. We are proposing a net reduction of eight positions and a net increase of two workyears in FY 1985. The discrepancy between additional workyears but reduced positions is attributed to two factors. First, in our initial FY 1985 passback, OMB directed the Commission to reduce its positions by 34 and to reduce its workyear total by 12 below the current FY 1984 resource levels of 1,975 and 1,942, respectively. OMB's intention in reducing more positions than workyears was to alleviate past year problems of unfunded workyears at the Commission. Second, our FY 1985 base workyears represent a realignment of FY 1984 resources which was necessary to ensure that Activities below their position ceiling throughout FY 1984 were not "penalized" in FY 1985 by receiving less than their fair share of the Commission's total FY 1985 workyears. The Field Operations Activity received an additional seven workyears through this adjustment. Of the overall proposed Commission reduction of 34 positions and 12 workyears, the Activity will be reduced by ten positions and one workyear. In addition to these adjustments, we are also requesting two additional positions and workyears for this Activity in FY 1985 to support the Commission's new workload requirements as a result of the Radio Broadcasting to Cuba Act of 1983 (Radio Marti). A summary of these adjustments, by program, appears below:

Field Operations Programs	FY 1984 Pos WYs	FY 1985 Base Realignment Pos WYs	FY 1985 Overall Reduction Pos WYs	FY 1985 Radio Marti Resources Pos WYs
Monitoring	162/156	162/160	159/160	159/160
Inspections/ Investigations	133/129	133/130	130/130	130/130
Public Service	124/119	124/121	121/121	122/122
Engineering	20/ 20	20/ 20	19/ 19	20/ 20
Total	439/424	439/431	429/430	431/432

Question: The Commission is proposing a reduction of 16 positions in its Private Radio Services activity. In what specific program areas will these occur, and what is the rationale for them?

Answer: These reductions have been made in line with the passback we received on our FY 1985 budget request to OMB. This passback reduced overall Commission positions by 34. The Private Radio Bureau reductions occur in the following areas:

- o Land Mobile Services
  - 1 position in the enforcement area
  - 1 position in the operations review area
  - 2 positions in the planning area
- o Authorization of Service
  - 10 positions in the CB/RC Radio service
- o Special Services
  - 1 position in the Personal Radio services
  - 1 position in the enforcement area

The reduction of 10 positions in the Authorization of Service program occurs because of the elimination of individual licenses in the Citizens Band(CB)/Radio Control(RC) Radio services.

The reduction of four positions in the Land Mobile Services program and two positions in the Special Services program were selected so that an acceptable level of service to the public could be maintained in the other more critical areas of issuance of station licenses, promoting an efficient and competitive environment and recovering radio spectrum through our enforcement efforts, and acting on rulemakings, petitions and proposals that result in deregulation and the introduction of new technologies and operational options.

Question: The Committee understands that GSA is in the process of relocating a substantial portion of your Headquarters staff. What relocations are being proposed? What response has the FCC made to the GSA proposal? How is GSA taking into account the Commission's operational requirements?

Answer: Under the authority of Federal Property Management Regulation (FPMR) D-68, which requires that each Federal agency improve its utilization of government office space and move towards the objective of providing an average of 135 square feet per employee, the GSA has proposed that the Commission relinquish 69,363 square feet of office, clinic and conference space at 2025 M Street. This proposal would have severe operational consequences, for example, it would reduce our utilization rate to 116 square feet per person in our main headquarters building at 1919 M Street. As an alternative we requested that GSA allow us to vacate the 24,704 of office and clinc space at 1200 19th Street on January 31, 1985 upon expiration of the existing lease. In March 1984, the Managing Director met with the Public Building Service Commissioner to discuss our proposal. While we are hopeful that the issue will be resolved so that we will not be required to relocate from 2025 M Street, the issue has not yet been resolved.

Question: What efforts do you propose to take in FY 1985 to establish user fees at the FCC? Has OMB approved money to be spent on such an activity? What are your views on the Grace Commission estimates of the costs and savings associated with the establishment of an internal cost accounting system and user fee schedule at FCC?

Answer: As noted by the Grace Commission, the Federal Communications Commission currently does not have a plan to develop its own fee schedule. This is primarily due to our concerns as to expected litigation resulting from our efforts to comply with the Supreme Court decision on our 1970 Fee Schedule. Instead, we fully support Congressional efforts to establish a legislated fee schedule which would be free of court challenges and the attendant expense and delay associated with such challenges. The Commission supports Senate Bill S. 55 which is currently pending in Congress.

No funds have been approved by OMB to either develop a fee schedule or to collect fees.

The Grace Commission estimates that $1.5-$2.5 million would be required in order to develop an internal cost accounting system. Although we are not sure how the Grace Commission obtained these estimates, we believe the cost to be representative. Added to the cost of developing the cost accounting system, however, would be an estimated first-year cost of $750,000-$1,000,000 to actually collect user fees. Collection costs drop to the $350,000-$500,000 range in subsequent years. These amounts, totalling anywhere from $2.25-$3.5 million the first year and $350,000-$500,000 in subsequent years, would be offset by collections resulting from such a fee schedule, as pointed out by the Grace Commission. It should be noted, however, that none of the offsetting collections, under present law, would be available for use by the FCC; thus no savings would accrue to the Commission as a result of implementing a fee schedule, be it legislated or developed by the Commission itself.

While we believe that the Commission would receive some benefits from the development of a cost accounting system, we believe that costs for such a system would outweigh benefits when the excessive costs are coupled with our concern that an FCC schedule would be subject to further judicial scrutiny. We do not believe that the establishment of a cost accounting system in support of a fee collection program would be appropriate.

Question: What are your plans to implement the following other recommendations of the Grace Commission?

--The Managing Director and Bureau Chief of the Private Radio Bureau should develop and install a pilot Quality Circle or Management-Employee Participation Program at the licensing Division in Gettysburg, Pennsylvania, to foster service and productivity improvement objectives in a cooperative effort.

Answer: The licensing Division in Gettysburg, Pennsylvania is presently using the basic concepts of "Quality Circles" to foster service and productivity improvements in a cooperative effort. The Licensing Division's program operates on a more informal and ad hoc basis, which allows more latitude in monitoring productivity and quality, and is less burdensome on our present operation.

The major components for a successful management-employee participation program are already established in the Licensing Division. Employees participate in setting goals and measuring performances, and in giving and receiving feedback through the Commission's performance appraisal and Management-by-Objectives (MBO) systems. These are monitored and discussed on a daily basis with refinements being made to allow for even more accurate feedback and goal setting. Top management support is given in terms of human resources and equipment as well as a program of monthly on-site visits by the bureau chief to discuss progress, accomplishments and problems. Finally, we continue, within the limits of training funds, to provide the managers and supervisors with training in problem solving techniques and group dynamics skills.

The implementation of "Quality Circles" at the Licensing Division would formalize and make more cumbersome a technique that has been and is currently being utilized. It would require that a significant amount of time be given to a function which has in the past operated efficiently on an as-needed basis.

--The Managing Director should develop and implement a budget planning and presentation procedure which creates a single budget document summarized both by organizational unit and by program across all organizational units.

The Commission's current budget planning and presentation procedure incorporates both organizational and program summarizations, albeit using a mostly manual methodology. We believe that, given the relatively small amount of funds being expended to produce organizational/programmatic budget data, the current system is extremely cost effective and adequate as to its intended purpose of presenting budgetary information in a way acceptable to both OMB and the Congress. As envisioned by the Grace Commission, an internal cost accounting/activity reporting system, conservatively estimated to cost $1.5-$2.5 million, would be necessary to produce a system capable of providing automated organizational/programmatic budgetary data. The Grace Commission further justifies procurement of such a system by referencing improved productivity as well as improved managerial effectiveness. We seriously question whether such an expensive proposition, one which would, by the Grace Commission's own estimates, require additional personnel to operate, would be cost effective. The Grace Commission itself was not able to quantify specific cost savings resulting from this proposed initiative, outside of noting that the system could be used to develop a cost based fee schedule which, in turn, would generate revenues far exceeding the cost of the proposed initiative. As noted in our response to the previous question, we support a legislatively established fee schedule. Should such a schedule be enacted into law, as we expect it will, there would be no compelling cost effective rationale to expend the $1.5-$2.5 million on a cost accounting system which would provide rather dubious benefits.

--The Commission should adopt strict internal deadlines for the preparation of notices and in rulemaking proceedings. The Commission should also hold private parties to the schedule established for comments.

The Commission, through its MBO system, has adopted internal deadlines for all major rulemaking documents. Each bureau, in conjunction with the Managing Director and the Chairman's offices, prepares a listing of rule-making priorities and associated due dates. Evaluation of bureau chiefs' performance is directly linked to successful and timely completion of these projects. However, because of resource constraints, a certain amount of flexibility must be built into each list to accommodate changing priorities, newly imposed requirements, personnel attrition, and external factors.

For each notice in a rulemaking proceeding, the Commission establishes comment periods to ensure finality of its proceedings. In most rulemaking proceedings, public comments are filed on time. In some proceedings, however, the Commission must evaluate requests for extensions of time or grant extensions of time or for acceptance of late-file pleadings. Although the Commission does not generally grant extensions of time or accept late-filed pleadings, relief is granted when good cause is shown and where it appears to be in the public interest. Some flexibility in the administration of our procedures is required to accommodate the occasional exceptional circumstance that may arise and to ensure that comments worthy of consideration, even though untimely, are included in the Commission's deliberative processes. Rational decisions, then, will be based on all available comments. On balance, the Commission seeks to amend its rules in an efficient manner, yet allow for short delays due to legitimate external factors.

Question: What are your long-term plans for the FCC ADP network? What specific gains will result from the establishment of a "backbone" of the network? What interaction among distributed ADP hardware is needed? Will this "backbone" allow you to eliminate data bases which would otherwise have to be duplicated? Will it allow you to access data bases in connection with your Honeywell mainframe computer?

Answer: The FCC plans to enhance its ADP network by distributing office automation and end-user computing capabilities to all areas of the Commission where productivity could be improved by such automation. The actual network will be brought about through communications hardware and software that provides for interconnectability, where needed, between and among the mainframe computer and smaller, end-user oriented computers. The type of network envisioned will provide high-speed communications between all terminals and computers on the network and high-speed, high-capacity data transfer between mainframe and minicomputers.

There are several advantages to be gained from establishment of the "backbone." It provides for more efficient use of equipment. The "backbone" allows any terminal to access all computers on the network. Users who require access to more than one computer no longer would need a different computer terminal for each type of computer. Access would also be provided to specialized machinery such as high-speed printers, reducing the need for additional costly equipment throughout the Commission and providing better use of the equipment on hand. Communications costs would be reduced by decreasing the requirement for modems, multiplexors, and telephone circuits, currently used in data transmission. Since the " backbone" is connected only to a centrally located computer, the need to cable the Commission is substantially reduced. Further, the cost of relocating computer equipment is also reduced. Finally, user terminals connected to the "backbone" could direct work to a backup processor if a computer goes down so that there is no reduction in productivity.

The "backbone" will allow us to eliminate data bases which would otherwise have to be duplicated. Distributed micro/minicomputers will process only the data required to approve applications and grant licenses. Approved license data will then be transmitted to the mainframe computer to reside on one computer with data accessed as needed by any other computer on the network, eliminating the need for duplicative data bases. Data bases residing on the Honeywell mainframe computer will be accessible by terminals on the "backbone" network.

Question: What savings in positions, dollars and workyears, if any, have resulted from your combination of the Cable Television and Broadcast Bureaus into a Mass Media Bureau?

Answer: The administrative savings that have resulted from the merger of the Broadcast and Cable Television Bureaus into the Mass Media Bureau include five administrative positions which have been reallocated to specific functions within several of the Bureau's programs. The FY 1983 merger also resulted in a reallocation of nine positions from the Enforcement and Hearing program to the highest priority program, Authorization of Service. The impact of these reallocations have been reflected in the Mass Media Activity's budget request. The reallocation which resulted from the merger totals 14 positions, 14 workyears and approximately $554,000 in salaries and benefits.

Question: To what extent will an increase of four positions in your common carrier activity allow you to audit Comsat and the international record carriers?

Answer: As a result of changes in the structure of the domestic telephone industry, separations, access, and other regulatory policies affecting this industry, we plan to devote all of our FY-1985 audit resources to domestic carriers. We are not planning to conduct any field examinations at Comsat or at any of the international record carriers in FY-1985. However, if as a result of some future event such reviews are required, this would be accomplished by reassigning audit and other staff resources on an as-needed basis.

Question: Do you plan to establish a section in the Common Carrier Bureau to monitor the structure and performance of the domestic common carrier industry? How will this section be organized and staffed? How will it fit into the policy-making structure at FCC?

Answer: On February 27, 1984, the Commission approved the creation of a new Industry Analysis Division in the Common Carrier Bureau. We expect the Division to be fully functioning by early May of this year. Its staff will be a multi-disciplinary group of 14 or 15 economists, statisticians, engineers, lawyers and secretaries under a Division Chief and Deputy. The Bureau's Deputy Chief (Policy) has oversight and supervisory responsibilities with respect to the new Division, in part to ensure that the Division's work is relevant and integral to the Commission's policy-making structure.

Question: How many resources (staff and travel money) will be assigned to carry out the following tasks related to your access charge proceeding:

1) The monitoring plan established in your final and reconsideration orders in docket 78-72?

2) The study of bypass you proposed in your further reconsideration decision in January 1984?

3) The follow-up of the impact of Federal actions on telephone rates which you also proposed in January 1984?

Answer: These tasks will be performed by our new Industry Analysis Division consisting of 14 or 15 people in various disciplines. They will require very little travel. A major work effort of this Division will be to monitor the effects of rate increases on local telephone rates. This will be accomplished by obtaining information on telephone subscribership through the Census Bureau's Current Population Survey at an annual estimated cost of $30,000. Existing resources are available to fund this Interagency Agreement. We are also considering alternatives to obtain additional information on private bypass studies. Any additional resource requirements will be funded through a reprogramming of existing funds.

Question: What use was made of the $1.7 million contained in your FY 1983 appropriation to hire experts necessary to implement your Computer II decision?

Answer: Of the $1.7 million contained in our FY 1983 appropriation in support of the Commission's *Computer II* project, $345,000 was actually expended in support of this project. The remaining funds were reprogrammed, with Congressional approval, into our compensation and benefits account to fund our FY 1983 deficit ($764,000) and into other Commission accounts to meet higher that expected *Federal Register* costs ($220,000), to expand the capacity of the Low Power Television minicomputer ($192,000), to purchase ADP equipment in support of the 1983 Region 2 Administrative Radio Conference ($91,000), to replace outdated ADP equipment throughout the Commission and to enhance automation efforts in Gettysburg, PA ($88,000).

A summary of funds expended in direct support of our *Computer II* program follows:

$64,000	Purchase of Zilog Minicomputer system to be used in *Computer II* monitoring efforts.
32,000	Purchase of computer terminals, printers, modems, equipment stands and manuals.

3,000	**Programmer support**
46,000	Travel for audits required to implement Computer II.
200,000	Interagency agreement with Army Corps of Engineers to review AT&T's appraisals of transferred land and buildings.
$345,000	

Initially, the Commission proposed to hire valuation experts to accomplish the required asset valuation at the cost of $1,500,000 and to develop a computerized data base which would support the audit and monitoring activities of this project at a cost of $200,000.

Question: During FY 1985 the United States will participate in the first session of the World Administrative Radio Conference on space services (Space WARC) which some suggest will be the single most important ITU conference of the 1980's. Also during that fiscal year, preparations must begin for the 1986 ITU conference on Region 2 Medium Frequency Broadcasting and on World High Frequency Broadcasting (second session) in addition to a multitude of lesser meetings. No change in staffing is planned in FY 1985 for FCC's lead office in the international area-Science and Technology.

a. What provision will the Commission make for adequate FCC representation on the Space WARC delegation while continuing other necessary international work?

Answer: As the FCC's lead office in preparation for the ITU Administrative Radio Conferences, the Office of Science and Technology (OST) acts as the Commission's coordinator for international conference preparations. In that capacity it relies heavily on the expertise resident in the various FCC operating Bureaus. This expertise is generally pulled together in FCC intra-agency coordinating committees chaired by OST. Within these committees, specific work tasks are identified for completion by the various Bureaus and Offices of the Commission and in this manner the most efficient and effective use can be made of Commission resources. ITU conferences on Broadcasting-Satellites and Mobile Services have recently been completed making personnel available to work on the above-identified conferences. Additionally, the FCC has a very active Federal Advisory Committee to provide advice for our Space WARC preparations. We anticipate that this Advisory Committee will serve as a source for a number of private sector members of the Space WARC delegation, who would represent the interests of FCC space licensees.

b. At present, with 18 months to go before the first session, how many staffers are dedicated to Space WARC preparations? How many others will join the effort in FY 1985?

Answer: The Commission currently has in excess of twenty-five people involved in Space WARC activities. The Office of Science and Technology's Space WARC coordinator is essentially the only person devoted full-time to Space WARC activities, although a significant number of the others are devoting a great deal of time to these preparations. The Commission is devoting approximately ten person-years of effort to this project in FY 1984. It is anticipated that a few additional resources will be redirected from other Commission activities to the Space WARC activity in FY 1985, and some of those who are currently devoting a small amount of time to the effort will increase their participation in FY 1985. The additional personnel will probably be in the computer support area.

Question: On page 134 of the budget estimates, a $135,000 request is noted for purchasing a minicomputer and disk drive, specifically for Space WARC preparations and conference. During FY 1983 a similar amount was spent on a minicomputer to support Office of Science and Technology activities, especially the 1983 Regional Administrative Radio Conference (RARC) on broadcasting satellites.

a. How is the purchase of an additional minicomputer for international activities justified? How is an earlier computer now being utilized?

b. Has the purchase of such major equipment been carefully planned for the future? If additional capacity is now needed, was it anticipated when the first minicomputer was decided on?

Answer: a. The minicomputer purchased in FY 1983 to support Commission RARC responsibilities, is currently being used to perform analytic computations for spectrum engineering and support to international conferences. This machine operates automated systems to monitor broadcasting satellite services, microwave engineering, FM drop-in allotments, TV channel allotments, and AM radio analysis. The minicomputer has provided excellent support to the FCC, but has become too saturated to handle new demands for automated systems to support the Space WARC. This conference, covering the use of the geostationary satellite orbit and the planning of services utilizing it, begins in June 1985. Significant computer support is necessary in preparing for the Conference, participating in it, and implementing the results. The additional microcomputer will also be used for the second session of Space WARC, scheduled to commence in June 1988. The computer allows nearly real time communications among the U.S. delegates and between the delegation and support personnel, both on site and in Washington. It allows the delegates to be able to quickly prepare and present documents to be considered by the Conference which otherwise might never be developed and submitted because of time constraints. The additional minicomputer is necessary to provide this level of support for Space WARC without adversely affecting the necessary functions performed by the current minicomputer.

b. The need for computer support for future international conferences was anticipated when the first minicomputer was selected. However, as indicated in a. above, the computer has proven to be extremely useful in providing active support to other analytical applications. The tools developed by the staff to support international conferences are also extremely useful in solving other highly computational applications. The capabilities of this minicomputer have allowed the Commission to actively participate in international activities and, in addition, accomplish related work which would have required additional staff if the computer was not available.

The purchase of the additional minicomputer, along with other major equipment, is carefully planned within the FCC's on-going strategic planning efforts. Through careful review of future conference preparation and participation requirements, along with other anticipated Commission initiatives, the agency will be able to determine where and when it needs to augment current automated resources.

Question: While the FCC has emphasized the development of its computer hardware capability and has pointed out the usefulness of a ready computer capability during international conferences, the National Telecommunications and Information Administration (NTIA) in the Commerce Department has requested proposals to enhance computer software for the Space WARC.

a. Was NTIA's request for proposals coordinated in advance with FCC?

b. How does the NTIA work on computer software fit in with FCC technical preparations for the conference? Was the NTIA move on software and the FCC minicomputer purchase part of coordinated interagency consensus on a federal plan for Space WARC preparations? Was the Coordinator for International Communications and Information Policy at the State Department aware of such preparatory moves?

Answer: a. No, NTIA's request for proposals was not coordinated in advance with FCC. The Commission's staff did not find out about the solicitation until it was released to the public. Since that time, meetings have been held concerning the computer software to ensure that that software will run on the FCC's minicomputer.

b. The NTIA software is an optimization model which may be useful in the FCC's technical preparations for the Space WARC. Meetings are currently being held to discuss the full impact of this model.

The computer support aspects of the conference have been considered by the Interdepartmental Radio Advisory Committee's Ad Hoc Subcommittee 178-lc. This group has developed a coordinated interagency consensus on computer resources for Space WARC. The NTIA software and FCC minicomputer are part of this coordinated plan.

The Coordinator has been kept aware of the preparatory activities for Space WARC, and State Department personnel have been involved in many of these activities. The State Department also became aware of the request for proposals when it was released to the public.

Question: On page II of the introduction to the FCC 1985 budget estimates, you cite the addition of five positions to the Common Carrier Bureau's International Staff in fiscal 1983 as enhancing the Commission's ability to prepare and participate in conferences such as the 1985 Space WARC. Meanwhile an additional computer and a large increase in travel funds are sought in fiscal 1985 for the lead FCC office for international matters--Science and Technology.

a. How can the Commission's preparation and participation in the Space WARC be enhanced when resources for such work are split between two separate FCC units?

b. Specifically, what Common Carrier Bureau staff members are presently assigned to Space WARC preparations and how is their work coordinated with the lead office--Science and Technology? Describe the work being undertaken by the Common Carrier Bureau to prepare for the Space WARC.

c. How is other important work, such as that of study groups of ITU's CCITT towards the Integrated Service Digital Network (ISDN), coordinated between the Common Carrier Bureau and Office of Science and Technology? Why have both units worked on ISDN issues?

Answer: a) The Office of Science and Technology (OST) is the Commission's coordinator for the 1985 Space WARC preparation. It is consequently responsible for the overall program management of the Commission's Space WARC preparations. However, other bureaus such as the Common Carrier Bureau (CCB) and Mass Media Bureau have the day-to-day operational responsibility of regulating and licensing U.S. commercial satellite systems and operations. CCB also coordinated the Commission's oversight and monitoring functions of INTELSAT and INMARSAT in the U.S. instructional process to the U.S. Signatory Comsat. In addition, the Field Operations Bureau (FOB) has day-to-day operational responsibilities in the determination and resolution of interference situations. Because of the day-to-day responsibilities, it is necessary that OST work closely with these operating Bureaus in the development of U.S. proposals, positions and strategy for the WARC-85 and for all preparatory meetings, such as CCIR Study Group 4 and the Conference Preparatory Meeting (CPM). In many instances, operational experience only exists within the operating bureaus, and it is necessary to draw upon this experience to develop guidance and U.S. positions with respect to many issues which are to be addressed by the Conference and its preparatory meetings.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

Question: How many minorities were there at the FCC in December 1980? How many are there today?

Answer: As of 12-80 there were 682 minorities at the FCC: 604 Blacks; 38 Hispanics; 33 Asians; and seven American Indians. Total onboard strength was 2,221.

As of 2-84 there were 644 minorities at the FCC: 558 Blacks; 48 Hispanics; 28 Asians; and 10 American Indians. Total onboard strength was 1,969.

Question: What was the percentage of minorities at the FCC in December, 1980? What is the percentage today?

Answer: The minority representation as of 12-80 was:

Black - 27.2%
Hispanic - 1.7%
Asian - 1.5%
American-Indian - 0.3%
Total Minority - 29.0%

The minority representation as of 2-84 was:

Black - 28.3%
Hispanic 2.4%
Asian 1.4%
American-Indian .5%
Total Minority - 32.8%

Question: How many minorities were employed in policymaking and other top level positions, i.e., chief, deputy chief, assistant chief, division chief, and assistant chief, at the FCC in

December 1980? How many are employed now? (In addition to giving the total number, please give the number for each bureau.)

Answer: As of 12-80 there were 10 minority employees assigned to policymaking and/or other top level positions as follows:

Bureau	Number Assigned
Office of Public Affairs	2
Private Radio	2
Broadcast	1
Office of Opinions & Review	1
Common Carrier	1
Office of Executive Director	1
Cable Television	1

As of 2-84 there were 22 minority employees assigned to policymaking and/or other top level positions as follows:

Bureau	Number Assigned
Office of Public Affairs	1
Office of Managing Director	5
Office Science & Technology	1
Office of General Counsel	1
Field Operations	3
Common Carrier	3
Private Radio	2
Mass Media	6

The increase in representation in this area is attributed to both the Commission's overall gain in minority representation and the establishment, in 1981, of the Merit Pay System which clearly defined "senior management/policymaking positions" and, consequently, improved our statistical reporting ability.

Question: How many professionals at the FCC in December, 1980 were minorities? How many minority professionals are there now?

Answer: As of 12-80 there were 93 (12.7%) minority professional employees out of a total of 730 professional employees.

economists	2 (4.4%)
accountants	6 (16.2%)
engineers	49 (14.0%)
attorneys	36 (12.1%)

As of 2-84 there were 97 (14.8%) minority professional employees out of a total of 655 professional employees.

economists	2 (6.3%)
accountants	6 (24.0%)
engineers	59 (17.9%)
attorneys	30 (11.2%)

Question: During your term as Chairman of the Federal Communications Commission how many professional minority employees have you promoted to top-level positions?

Answer: Since May 1981, seven professional minority employees have been promoted to top-level positions.

Question: What bureau and divisions have you assigned to your recent, new professional minority hires?

Answer: The following outlines our professional minority hires since 2-83 and the bureau and division to which they were assigned:

Bureau/Division	Number of New Hires Assigned to Bureau/Office
A. Office of the Managing Director - Financial Management Division	2
B. Office of Science & Technology - Research & Analysis Division	1
C. Common Carrier Bureau - International Facilities, Authorization and Licensing Division	1
- Domestic Facilities Division	1
- Mobile Services Division	2
D. Private Radio Bureau - Special Services Division	1
- Licensing Division	1
E. Mass Media Bureau	
- Audio Services Division	4
- Video Services Division	2
- Policy & Rules Division	1
- Enforcement Division	2
TOTAL	18

Question: In the Goals, Objectives and Priorities Report you just submitted to Congress you stated:

> During FY 1983, 205 people were hired; of these, 41.5 percent were minorities. This brings the agency's overall minority hired percentage rate to 32.2 percent of the total workforce. The FCC's rate has been steadily increasing since 1980, when it was 29 percent. Currently, 18.3 percent of professional new hires are minority and from 1981, professional minority employment increased from 12.9 percent to 15.1 percent.

The report, however, omits your future goals and priorities in this area. What are they?

Answer: The FCC's future goal is to improve the agency's representation of minorities and women in all job categories, particularly those categories in which underrepresentation now exists.

A major effort is underway which involves a multi-faceted affirmative action strategy for the agency's mainstream occupations. This strategy incorporates paid advertising in minority/women's publications, on site campus recruitment on a national level at law and engineering schools selected for their academic credentials and minority representation, establishment of a Cooperative Education Program for minority students, summer employment of legal interns, and a number of internal procedural changes to expand the scope of the agency's normal recruitment activities.

Paid advertisements totaling more than $2,000 have been placed. Campus recruitment for attorneys at a cost of over $15,000, has yielded 12 selections, of which eight are minority and/or women. Campus recruitment for engineers is in progress. The budgeted cost for this effort is $2,000. Cooperative Education agreements are being established with several local and regional schools. Three full-time positions have been allocated to accommodate six minority/female students. And finally, despite budgetary limitations, the agency is moving forward with a summer legal intern program which will have 11 participants, seven of which are minority and/or women.

Question: What was provided for in The Children's Television Policy Statement of 1974?

Answer: The 1974 Policy Statement requested commercial television licensees to: (1) make a "meaningful effort" to increase the amount of programming for children; (2) air a "reasonable amount" of programming for children designed to educate and inform and not simply to entertain; (3) air informational programming separately targeted for both preschool and school-age children; and (4) air programming for children scheduled during weekdays as well as on weekends. Television broadcasters also were expected to: (1) limit the amount of advertising in children's programming; (2) insure an adequate separation between program content and commercial messages; and (3) eliminate host selling and tie-in practices.

Question: Have commercial broadcasters complied with the 1974 Policy Statement?

Answer: In 1978, the Commission established a Children's Television Task Force to inquire into, among other things, the effectiveness of broadcast industry self-regulation under the Policy Statement. The Task Force presented its report to the Commission on October 30, 1979. It concluded that broadcasters had complied with the advertising guidelines. Although the Task Force believed that licensees had not complied with the Policy Statement's programming guidelines, its own study revealed a 7.2% increase in the overall amount of time commercial broadcasters devoted to children's television. The Task Force based its determination on the fact that the increase in the average per-station amount of time devoted to children's programs was due to the increased broadcast of syndicated programs carried on independent stations. The Task Force did not note the fact that the total number of stations licensed was increasing and thus children's offerings were increasing. During the years from 1971 to 1983, the total number of licensed commercial stations increased from 668 to 844, that is approximately 25 percent. The Task Force also excluded from its focus programs that might be appealing to children and significantly viewed by them but which were, when produced, intended for a broader audience as well. This exclusion of "family" programming limited consideration of a significant amount of programming of interest and value to the child audience.

Question: What did the Commission conclude in the recent Children's Television Report and Order in Docket 19142?

Answer: The Commission concluded that although the broadcasters public service obligation includes a responsibility to provide diversified programming designed to meet the varied needs and interests of the child audience, it is not desirable to mandate programming quotas or impose more specific program or scheduling requirements. The conclusion that specific quantification rules were undesirable was based on the totality of video programming sources and their offerings for children, constitutional concerns regarding interference with the exercise of a licensee's programming discretion, and regulatory anomalies that often result from inflexible standards.

Question: What evidence did the Commission use to support its conclusion? Did the Commission perform an independent study of current commercial broadcast programming for children?

Answer: The Commission studied the current television marketplace in its totality. We broadened our focus and, unlike the 1978 Task Force, directed our gaze to noncommercial educational television as well as commercial outlets. Some of the most significant programmming for children is produced and distributed by the public broadcasting system, a system created in specific recognition of the desirability of providing public support to increase the availability of programming that might not be fully supported by commercial incentives. Today, almost 300 stations - more than a quarter of all licensed television stations - are of the noncommercial variety. During the 1982-83 season, the Public Broadcasting System provided its stations, which reach over 90 percent of all television households, with some 2,050 hours of children's programming.

An additional important component of the national children's television programming market consists of the programming available to the child audience from nonbroadcast sources, including in particular that programming available over the facilities of cable television systems. At the time this proceeding was commenced, cable television served a relatively limited segment of the population, and its function was almost entirely the retransmission of over-the-air television broadcast signals. We found that cable television is presently available to approximately 54 percent of all homes and should be included in any assessment of the accessability of programming to the child audience. As noted in our Order, the most popular of the cable television delivered children's programming services, "Kidstime," reached some 18 million subscribers or about 20 percent of all television households. Millions of households have access to other children's program services by cable as well, including "Nickelodeon," (14 million subscribers) and the recently inaugurated Disney Channel which had reached over 300,000 subscribers at the time of our report. Some programming on the major pay cable television program services, such as Home Box Office, is also directed to the child audience. The number of subscribers to these services is ever-increasing. For instance, "Kidstime" now has 20 million subscribers and the Disney Channel now serves more than 500,000 homes.

Question: Do children have unique needs that are not met in the traditional television marketplace?

Answer: We recognize that children have special needs because of their immaturity. Although traditional television meets those needs, we believe one should view the marketplace in its entirety because only in so doing can we have an accurate reflection of the many children's programs currently available. Commercial TV, noncommercial facilities and pay services offer the child of today a diversity in programming never before possible.

Question: The recent report and order does state that commercial television licensees have an obligation to devote special programming attention to the child audience. If you have concluded in this report and order that the marketplace is working, why do these licensees have such an obligation?

Answer: We continue to believe that licensees have a bedrock obligation to serve their communities. Our action in the report and order recognizes and is consistent with that obligation as further explained in the answer to the next question.

Question: What must a broadcaster do to comply with this new policy? Can a broadcaster's obligation be met if other licensees or non-licensees in the area air children's programs?

Answer: Under the Commission's Report and Order, a licensee has a continuing duty to examine the program needs of the child audience. The broadcaster is required to be ready to demonstrate at renewal time its attention to those needs. Although it may consider what other children's program service is available in its market, a broadcaster will find no comfort in our decision if he fails to program for children and their needs go unmet. The broadcast of children's programs by other facilities in its market does not necessarily indicate that all the needs of the child audience have been met. It is the licensee's responsibility to determine the varied needs of children in its service area, then to see which, if any, are already being fulfilled and finally, to meet any remaining needs of its child audience. Every station has an obligation to present some programming for children.

Question: How are the needs of school age children met under this new policy? pre-school age children?

Answer: Under the policy there is no obligation to provide age specific programming. However, broadcasters have a duty to provide diversified programming designed to meet the interests and needs of children in their community. Therefore, the many offerings provided by a market's stations are likely to encompass programming to meet age-specific demands as well as those for programs of an educational or entertainment nature.

Question: In your view of the video marketplace, are commercial television and cable television completely substitutable throughout the country? What if there is no cable available? What if people cannot afford to subscribe to cable?

Answer: We do not consider cable television a substitute for commercial television. They are parts of a whole fabric. Our focus is no longer limited to only the offerings of commercial television. We have broadened our sights and now view the marketplace in its entirety. Consequently, a particular market needs to be viewed in terms of what product is available to meet children's needs and interests. It may be cable television, subscription television, multipoint distribution services, as well as commmercial and noncommercial television, that offer children's programming in a specific locale. Then again, it may be only some of these communications services that serve the child audience in a market. The broadcaster must take this into consideration and program accordingly.

Question: The Commission may soon issue a Notice of Inquiry to examine the Fairness Doctrine. Prior to adopting any order concerning the Fairness Doctrine, will you first issue a Notice of Proposed Rulemaking?

Answer: Yes

Question: Do you agree with the Supreme Court's conclusion that "the Fairness Doctrine finds specific recognition in statutory form, is in part modeled on explicit statutory provisions relating to political candidates, and is approvingly reflected in legislative history"?

Answer: Although the Supreme Court's decision in Red Lion Broadcasting Co. v. FCC, 395 U.S. 367 (1969), contains several broad statements, including the one quoted, that indicate general approval of the fairness doctrine, the specific question before the Court in that case was the statutory and constitutional validity of the personal attack and political editorial rules adopted by the Commission in 1967. In affirming these rules, the Court specifically stated that "we need not approve every aspect of the fairness doctrine to decide these cases." Id. at 396. It also noted that more experience with the rules might call for a later reevaluation of their validity. Id. at 393. We hope to explore further this specific issue in our Notice of Inquiry.

Question: In 1981, you and three other members of the Commission asked Congress to repeal the Fairness Doctrine. In submitting this recommendation, you stated, "I recognize that it is Congress which must ultimately resolve the complex issues presented here." Do you continue to agree with your 1981 statement to

Congress that repeal of any part of the Fairness Doctrine must be left to Congress?

Answer: On September 17, 1981, the Commission approved a set of proposals for amending the Communications Act including specific recommendations that its statutory authority to impose fairness and equal time obligations on broadcast licensees be repealed. On October 2, 1981, these legislative proposals were forwarded to the United States Senate with a transmittal letter which stated that "Congress must resolve the complex issues presented here." Although we continue to believe that the question of repeal of the equal time requirements of Section 315 is within the sole purview of Congress, we have undertaken further research and a Notice of Inquiry will seek comment on whether this agency has some discretion to modify or alter the fairness doctrine in areas that do not pertain to the political arena.

Question: Could you give me a timetable for the award of low power television applications now on file?

Answer: In the Low Power Television Service substantial progress has been made as set forth below:

In order to process the large number of Low Power Television Applications (LPTV) currently on hand and expected to be filed during FY 1984 and FY 1985 in the Mass Media Activity, an additional five positions ($90,000) were approved for data entry. All five positions have been filled and these people are currently entering technical data into the automated processing system. This system will be used to provide all of the computerized interference studies needed to complete the processing of the LPTV applications. With the efforts of these additional personnel the data base needed by our engineers to process LPTV applications is being created.

Since the LPTV DEC mini-computer went on line in June 1983, approximately 4,000 LPTV applications have been processed. Most of these consisted of defective applications, specifying technical proposals that would cause interference to existing services. These applications have been dismissed. Also, the LPTV staff is now processing the approximately 1,500 applications that have been placed on or filed in response to cut-off lists issued between August 1983 and January 1984. Approximately 100 groups of mutually exclusive applications involving 410 applicants have been identified as ripe for lottery and lotteries have been held on these applications. These have resulted in most of our recent grants.

Further, on February 7, 1984, a list of 3,395 applications was released, specifying a cut-off date of March 8, 1984. These applications have undergone engineering review and have been found acceptable under Commission rules.

Approximatey 24,000 applications were filed in response to the March 8, 1984, cut-off list. It is estimated that the information from all of these applications will be entered into the administrative tracking (BAPS) and engineering data bases by October 1984. Thereafter, processing will result in a number of lottery groups or singleton grants.

It is not possible at this time to precisely project when the existing backlog of LPTV applications will be eliminated. However, the Commission's LPTV application processing efforts are continual with a view toward disposing of significant numbers of applications and successfully implementing the low power television service as quickly as possible.

Question: Could you give me a timetable for the completion of the various access charge proceedings.

Answer: The Commission, in its further reconsideration decision, directed its staff to initiate five further proceedings; (1) a further rulemaking to devise exemptions or target assistance for subscribers who may not be able to afford end user charges; (2) a further inquiry into the effects upon universal service of end user charges as well as federal decisions in general; (3) a further inquiry to compile more detailed data upon the extent and dangers of bypass; (4) a further rulemaking to adopt more effective mechanisms to meet the needs of smaller telephone companies for more assistance; and (5) a further rulemaking to examine how best to implement an end user charge for residential and single line business customers. The timetable established by the Commission projected completion of these further proceedings by December, 1984, so that it would be possible for any new plan and tariff arrangements to be effective in June 1985.

Question: I want to commend the Commission for its February decision on the access charge tariffs. In rejecting these proposed tariffs, the Commission stood with the ratepayer. Soon, new access charge tariffs will be submitted. The Commission, however, has allowed itself only until April 3 to make a decision. Because of the complexity and size of these tariffs and their potential effect, I believe the Commission should allow itself greater time for consideration, particularly in regard to the special access charges. Are you considering an extension? What factors will affect your decision? When will this decision be made?

Answer: On March 20, the Commission deferred the effective date of these tariffs until June 13, 1984. Additional time has been made available to the public for comment.

Question: The Commission now has before it emergency petitions concerning telephone equipment to be provided by the Bell Operating Companies (ENF-84 and ENF-85). These two petitions were filed more than two months ago. When will the Commission rule on these matters?

Answer: The Commission considered both NATA's Petition for Emergency Relief requiring non-discriminatory Customer Premises Equipment Interconnection and NATA's Motion for Partial Stay of the Dial Tone Referral Modification at its March 30, 1984 open meeting. It denied the particular immediate relief sought by NATA, but reaffirmed it's general requirements nondiscriminatory Customer Premises Equipment interconnection and uniform service ordering procedures for Customer Premises Equipment companies and other Customer Premises Equipment vendors.

Question: What is the Commission's timetable for considering the 7-7-7-ownership proceeding?

Answer: We hope to consider this matter during the third quarter of FY 1984.

Question: Congress authorized an additional 79 positions for fiscal year 1984. According to the Introduction Section of the justifications, 52 of these positions had been filled.

1. How many of these positions are now filled?

2. In what areas have they not been filled?

Answer: Seventy-five of the authorized positions have been filled.

The following positions have not been filled: two engineers to implement Docket 80-90; one attorney for the Common Carrier International staff; and one attorney to process cellular radio applications.

Question: How much of the 1984 pay raise is the FCC absorbing?

Answer: The Federal Communications Commission has been advised by the Office of Management and Budget to absorb $863,000 of the original FY 1984 Pay Raise Supplemental Funding Request.

Question: Do you still require the full $1,053,000 supplemental for 1984?

Answer: The entire $1,053,000 request for supplemental funding is required in FY 1984.

Question: Recruitment of new positions -- Commissioners

1. What will the 2 new positions do?
2. How did the work years get ahead of positions in this area?

Answer: 1. The two additional positions in the Commissioners' Activity are required to provide authorized ceiling allocations in line with on-board staff.

2. In both fiscal years 1983 and 1984 we have been able to add unbudgeted workyears to the Commissioners' Activity. These unbudgeted workyears are needed to meet the workload connected with answering Congressional inquiries. Funds for these workyears are made available through the savings occurring from the lapse in filling vacancies elsewhere in the Commission. The Office of Management and Budget requested that

we provide full-time permanent positions to cover these workyears and resolve the discrepancy between positions and workyears.

Question: Please detail the composition of the built in change of $1,246,000 in compensation and benefits so we can know the unspecified saving to be made by reducing the number of GS 11 through 15 positions.

Answer: We are requesting $1,246,000 in built-in changes in FY 1985. This request consists of the following requirements and savings:

Annualization and full-funding of FY 1984 Pay Raise in FY 1985	$ 1,620,000
Extra Day of Pay in FY 1985	+263,000
Accident Compensation Requirement	+ 39,000
Change in Computing Hourly Rates	-224,000
GS 11-15 Reductions	-201,000
Required Absorption of Health Benefits Increases	-251,000
	$ 1,246,000

Question: Your justifications include an uncontrollable increase of $83,000 on page V for departmental telephones. On page VI, it is stated that "We will require an additional $78,000 for departmental telephone charges in FY 1985 because of access charges which are scheduled to begin in April of 1984."

> Aside from the $5,000 difference in the amounts cited, have you revised this requirement since access charges will be delayed until June 1985?

Answer: Our FY 1985 budget requests an additional $83,000 to meet proposed access charges in our departmental and field telephone accounts. This requirement was based on an access charge implementation date of April 1984. The access charge implementation date was just recently changed to June 1984. If the schedule of charges remains the same, we would require an additional $55,300 to meet access charges between June 1984 and September 1984.

QUESTIONS SUBMITTED BY SENATOR DECONCINI

Question: Chairman Fowler, last year the Congress augmented the F.C.C. budget for the purposes of expediting the processing of low power television applications. What is the backlog and when do you estimate that the Commission will eliminate the backlog?

Answer: In the Low Power Television Service substantial progress has been made as set forth below:

In order to process the large number of Low Power Television Applications (LPTV) currently on hand and expected to be filed during FY 1984 and FY 1985 in the Mass Media Activity, an additional five positions ($90,000) were approved for data entry. All five positions have been filled and these people are currently entering technical data into the automated processing system. This system will be used to provide all of the computerized interference studies needed to complete the processing of the LPTV applications. With the efforts of these additional personnel the data base needed by our engineers to process LPTV applications is being created.

Since the LPTV DEC mini-computer went on line in June 1983, approximately 4,000 LPTV applications have been processed. Most of these consisted of defective applications, specifying technical proposals that would cause interference to existing services. These applications have been dismissed. Also, the LPTV staff is now processing the approximately 1,500 applications that have been placed on or filed in response to cut-off lists issued between August 1983 and January 1984. Approximately 100 groups of mutually exclusive applications involving 410 applicants have been identified as ripe for lottery and lotteries have been held on these applications. These have resulted in most of our recent grants.

Further, on February 7, 1984, a list of 3,395 applications was released, specifying a cut-off date of March 8, 1984. These applications have undergone engineering review and have been found acceptable under Commission rules.

Approximatey 24,000 applications were filed in response to the March 8, 1984, cut-off list. It is estimated that the information from all of these applications will be entered into the administrative tracking (BAPS) and engineering data bases by October 1984. Thereafter, processing will result in a number of lottery groups or singleton grants.

It is not possible at this time to precisely project when the existing backlog of LPTV applications will be eliminated. However, the Commission's LPTV application processing efforts are continual with a view toward disposing of significant numbers of applications and successfully implementing the low power television service as quickly as possible.

Question: Recently the FCC struck down AT&T's proposed $.75 charge for long distance information and replacd it with a $.25 charge. What is the justification for this $.25 figure rather than a $.10 figure or a $.40 figure? Has there been adequate research done to determine the true cost of long distance information and the result of this new cost to the consumer?

Answer: The Commission recently acted to prescribe a $.25 charge that local exchange companies, including the local Bell Operating Companies (BOCs), may charge AT&T and other interexchange carriers for providing directory assistance. The local carriers had proposed a range of charges for the operator portion of a Directory Assistance Service call. The Commission found that many of these charges were not adequately supported or explained in the tariff material. Accordingly, we prescribed an interim $.25 maximum rate level for the operator assistance portion of a Directory Assistance Service charge. It appeared that this figure was in the direction of costs. In developing its $.75 charge, AT&T determined that $.64 was the average rate for the operator assistance proposed by the BOCs and used this figure to develop its $.75 rate. As a result of the Commission prescription, it is expected that AT&T will reduce its $.75 charge accordingly. In fact, in a March 6, 1984 letter to the Common Carrier Bureau, AT&T indicated that a $.50 charge may be more in line with its costs.

Question: The modified final judgment requires that Bell Operating Companies have facilities in place that will allow for equal access by all long distance providers before the end of 1986. Are there any assurances that these local telephone companies will be adequately compensated for this investment once it is made?

Answer: As with any other investment, the BOCs will seek to recover the costs of providing equal access through their tariffs. In the proceedings on the modified final judgement the BOCs and AT&T agreed that the equal access costs should be recovered from the interexchange carriers. Thus, we expect that the equal access costs will be reflected in the carriers charges contained in intrastate and interstate access tariffs. Whether any or all of those tariffs become effective depends, of course, upon the state and federal regulatory bodies.

The plan of reorganization approved by Judge Greene provides that under some circumstances AT&T will reimburse the operating companies for any equal access costs not recovered by January 1, 1984. Specifically, the plan provides that:

> "If by January 1, 1994, the Operating Companies in the aggregate have not recovered the costs of providing equal access. . . through their collection of access charges from the interexchange carrier, AT&T will reimburse the Operating Companies in the amount of any remaining deficit................ Provided, however, that with respect to any Operating Company, AT&T's obligation shall be discharged to the extent that: (a) the Operating Company fails annually to file carrier access tariffs designed to recoup any then-unrecovered equal access. . . costs by January 1, 1994; or (b) any regulatory commission refuses to permit such tariffs to take effect; or (c) regulatory requirements for the depreciation or amortization of equal access recognized as a cost of ratemaking in periods prior to January 1, 1994. (footnote omitted.)"

Question: In light of the controversy surrounding the imposition of end-user charges, is there something that the FCC can do to lessen the impact of those charges on the ratepayer and recognize the value to the long distance companies of their use of local telephone facilities?

Answer: The Commission's access charge decisions recognize that end user access charges may impact those customers. The access charge plan adopted by the Commission, and subsequently modified on reconsideration, contains several elements intended to minimize any adverse effects on end users. Included within the steps taken by the Commission to protect end users are: a gradual transition for implementing end user access charges; a $4.00 cap on end user access charges for residential and single line business customers until at least 1990; creation of the Universal Service Fund, funded by charges assessed to interexchange carriers, which will provide targeted assistance to telephone companies serving high-cost areas; and allowing "lifeline" exemptions or assistance for defined classes of end users. In connection with our continuing review of the impact of access charges, we have asked the Federal-State Joint Board to consider several important issues and to provide us with recommendations by November 1984.

Question: Assuming that Congress does not enact legislation altering the authority of the FCC, give us your views as to what will happen to rates customers can anticipate for long distance and local service over the next five years.

Answer: In our Report in CC Docket 83-778 (The Michigan Petition Proceeding), we estimated the effects of federal decisions (as well as intrastate access charges) on local rates under the current regulatory and legislative scheme. Our calculations showed that by 1989, the decisions analyzed would increase the average residential bill by $6.80. This assumed that individuals would buy their own phones, and that interstate access charges would average $5.00--$11.00 and intrastate access charges would average $3.97. Since those estimates were made we placed a $4.00 limit on intrastate access charges. The $6.80 estimate could be reduced by $1.11 ($5.11 minus $4.00) to $5.69. Further, it appears that many states will not adopt access charges, reducing the estimate even more.

Toll rates will decrease as access charges are put into place. While we did not predict the decreases in toll rates through 1989, we do know that they would have substantially exceeded the ten percent rate reduction which AT&T had filed in response to the access charge plan outlined in our Third Report and Order in Phase I of CC Docket 78-72.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

Question: I understand that directory assistance service has never been offered under tariff. What steps has the F.C.C. undertaken to insure that those affected by the tariffs have had an adequate opportunity to respond and that the economic impact on consumers has been examined and that the 25¢ cap is still not too high?

Answer: On October 3, 1983, AT&T submitted revised tariffs for its interstate service offerings. These revisions were necessary to reflect the requirements of its divestiture of the Bell Operating Companies (BOCs) on January 1, 1984, and the terms of our Access Charge Order. In revising its MTS and WATS tariffs, AT&T, for the first time, proposed to charge for long distance directory assistance (DA) calls. AT&T's proposed 75 cent charge per call, with one free call in each month the customer places a long distance call, is based upon charges for directory assistance service that

AT&T would pay to the local exchange carriers who retained the directory assistance operators and facilities as part of the divestiture agreements. AT&T estimated that rates for DA operator service averaged about 64 cents among the local carriers. The balance of its proposed 75 cent charge was based on AT&T's transport costs.

On February 17, 1984, the Commission released its order concluding the investigation of the access charge tariff proposed by the Exchange Carriers Association (ECA), which represented the large majority of local exchange carriers and BOCs. For the purposes of our investigation, we treated the ECA tariff as a model tariff whose evaluation would constitute an evaluation of the great majority of the terms and conditions of virtually all the access charge tariffs. The ECA proposed a 49.6 cent charge for the operator assistance portion of a DA Service call. We concluded that the tariff material submitted did not adequately support or explain the proposed rate levels for DA Service. Accordingly, we rejected the 49.6 cent charge for operator DA service and prescribed an interim one-year 25 cent charge that local exchange companies, including the BOCs, may charge AT&T and other interexchange carriers for providing the operator assistance portion of a DA Service call. Based on a review of the cost support material filed for local DA Service, it appeared that this figure was probably in the direction of costs. As a result of our action, it is expected that AT&T will reduce its 75 cent charge accordingly. In fact, in a March 6, 1984 letter to the Common Carrier Bureau, AT&T indicated that a 50 cent charge may be more in line with its costs.

Question: How can the F.C.C. adopt an arbitrary interim rate as high as 25¢ when it was stated in the F.C.C.'s February 17 decision that the "justification and support material is wholly insufficient to permit us to reach a determination on the reasonableness of the tariff provision and charges?" Why wouldn't it be proper to assume that a 10¢ charge is nearer to cost than the 40¢ charge that was rejected?

Answer: As we explained in our answer to the above question, we specifically found that the ECA's 49.6¢ rate for DA operator assistance was not supported. In order that the local exchange carriers would be able to offer DA Service, it was necessary that some rates for the service be in place on the effective date. Accordingly, we selected an interim, maximum rate of 25¢ for the operator assistance portion of DA Service calls. This figure, reflected in several state tariffs for DA Service, appeared to be in the direction of carrier costs. We emphasize that the 25¢ rate is a maximum level. Carriers with lower costs may propose lower rates for DA operator assistance. Furthermore, the prescribed rate would be in effect for no more than one year. During this time we plan to review extensively the additional economic support for DA Service we required the carriers to submit in an effort to determine the costs of providing this service.

Question: Since interstate directory assistance stimulates long distance calling, perhaps the cost for providing information could be structured as an incremental increase in local information charges or on interstate calls. Has the F.C.C. investigated this option?

Answer: It is the Commission's general policy that users who generate service costs should pay these costs in their rates for that service. It is our view, therefore, that unbundled DA Service charges are a fair and economical way to recover these costs. We are, however, currently investigating the exchange carriers' claims as to the rates they should charge AT&T and other long distance carriers and the methods by which charges could be fairly and reasonably implemented.

Question: It seems to me that long distance information benefits all telephone users i.e. those who are placing the calls as well as those who benefit from having their numbers available for callers. Why couldn't the costs, once they have been determined, be spread to all telephone users?

Answer: As explained above, it is the Commission's policy that users who generate costs should pay those costs in their rates for that service. We see no reason why customers who use one service but not another should pay for the costs of an unused service in their rates. We are not persuaded that there would be any benefit to the majority of long distance callers if long distance rates were inflated to cover the substantial costs involved with the provision of long distance DA Service when it appears that residential customers rarely make use of the service.

Question: Given that the residential user charges have been postponed for 18 months, there is precedence for postponing these charges as well so that further study can be conducted. What objections would the F.C.C. have to a postponement?

Answer: The Commission's decision to postpone end user access charges for residential and single line business customers involved the balancing of competing goals. In that particular situation, the Commission determined that in light of the temporary nature of the postponement, the possibility of adverse effects on universal service outweighed the increased incentives for bypass and potential for inefficiency that would result from delaying the assignment of costs to those parties who caused the costs to be incurred. In the case of charges for calls to directory assistance, similar concerns of possible harm to universal service do not exist that would warrant deviation from the principle of cost-based rates.

QUESTIONS SUBMITTED BY SENATOR CHILES

Question: I am aware certain colleges and universities are concerned about the allocation of ITFS channels. I understand this concern is focused on the fact that a number of organizations, some of which are only nominally educational or noncommercial, are applying in different areas for these channels. They fear assignment of these channels to such groups would mean bona fide educational institutions would be denied access to them.

Would you please detail for me how applicants are chosen to receive these channels.

What criteria are used for selection purposes?

Answer: The Commission's ITFS rules (47 C.F.R. 74.901 - 74.984) provide that instructional television fixed stations are intended primarily as a means for the transmission of instructional and cultural material for the purpose of providing a formal educational and cultural development to students enrolled in accredited schools. Such stations may also be used for transmitting material for in-service training and instruction in special skills and safety programs, extension of professional training, career development, and other similar endeavors. Further, in General Docket No. 80-112, 48 Fed. Reg. 33873, the Commission permitted ITFS licensees who provide an ITFS service consistent with these purposes on each of their channels the right to use excess channel capacity for non-ITFS (including commercial) uses, either by themselves or by leasing to other parties.

The rules further provide that a license for an ITFS station will be issued only to an institutional or governmental organization engaged in the formal education of enrolled students, or to a non-profit organization formed for the purpose of providing instructional television material to such institutional or governmental organizations. A non-profit organization which would be eligible for a noncommercial educational television broadcast station is eligible for an ITFS station. Additionally, a licensee is limited to the assignment of no more than four channels for use in a single area of operation.

Applicants for new ITFS stations must file FCC Form 330-P for a construction permit. Generally, this form elicits information pertaining to the applicant's legal qualifications; financial qualifications; program service; and engineering proposals. The legal qualifications and program service sections, as well as engineering data relating to these locations which an applicant specifies as sites for the reception of its service, are intended to provide sufficient information to assure compliance with the aforementioned rule requirements. If additional or clarifying information is required, applicants are requested to amend their applications. Applications are granted and construction permits issued only upon a finding that the applicants are qualified to construct and operate the proposed ITFS station.

Question: How are choices made between competing applicants for the same channels?

Answer: The existence of competing ITFS applicants for the same channels in the same community is a relatively recent phenomenon. The Commission has not established specific criteria for choosing among such mutually exclusive applicants. Presently, the staff of the Mass Media Bureau is encouraging applicants who find themselves in this situation to negotiate independently in an attempt to resolve the conflicts. While this may be possible and practical in particular situations, it is not in others. In a pending rulemaking proceeding in MM Docket No. 83-523, 48 Fed. Reg. 29553, the Commission recognized that a more definitive approach will be necessary to resolve mutually exclusive disputes. The Commission posed the question of whether its licensing priority should be based, for example, on a first come - first served basis, a lottery selection technique, or some other selection procedure. The Commission is presently analyzing the comments which have been received in this proceeding with a view toward determining the best manner of ensuring the continued development of the ITFS service in the public interest.

Question: Has the Commission set aside a designated number of these channels for educational purposes? How many?

Answer: The Commission has reserved twenty 6 MHz channels in the 2500 - 2690 MHz band for ITFS stations. Generally, all twenty channels may be requested and used by eligible ITFS applicants in a particular area and, in some cases, certain channels may be re-used in an area when directionalized antenna patterns are used.

Question: What safeguards has the Commission taken to make sure channels awarded to nominally educational groups don't end up in essentially commercial ventures?

Answer: As noted, the Commission has permitted ITFS licensees to utilize ITFS excess channel capacity for non-ITFS purposes, including commercial use. The revenue obtained from such profit-making activities is viewed as providing a substantial public interest benefit because of its potential for funding expanded educational and instructional programming, and enabling educational institutions or organizations to use currently vacant ITFS channels. To date, the Commission has received 200 - 300 applications proposing ITFS service, coupled with the leasing of excess channel time for commercial use in the Multipoint Distribution Sevice (MDS). The issues presented by certain of these applications generally concern the amount of time being reserved for ITFS programming; the nature and type of programming to meet local educational and instructional needs; the intended use of the ITFS programming service by local educational institutions, organizations, and businesses which the applicants propose to serve; and the eligibility of the applicants to be ITFS licensees. The staff of the Mass Media Bureau has sent letters, where appropriate, to certain of the applicants, requesting additional information to clarify such issues. A copy of one such letter is shown below for your information. Responses to the letters will be carefully reviewed to determine whether these applications are consistent with the ITFS rules and the Commission's policies and goals regarding the leasing of ITFS excess channel time and whether grant of these applications would serve the public interest.

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

MAR 20 1984

IN REPLY REFER TO

8430

Mr. John A. Curtis
The Network for Instructional Television
P. O. Box 177
Williamsburg, Virginia 23187

Dear Mr. Curtis:

This refers to the applications filed by The Network for Instructional Television (formerly NUA, Inc.) for construction permits for new stations in the Instructional Television Fixed Service (ITFS).

As you are aware, the Commission adopted a Report and Order in General Docket No. 80-112 [54 RR 2d 107 (1983)] which, in part, permitted ITFS licensees to utilize ITFS excess channel capacity for non-ITFS purposes, including the leasing of excess channel capacity to others. Several entities, of which you are one, have filed applications to construct new ITFS stations in a number of communities throughout the country, proposing an ITFS service coupled with the leasing of channel time for commercial use in the Multipoint Distribution Service. The purpose of this letter is to request additional information necessary to complete the processing of your applications. If you believe that any of the information requested has been clearly and adequately set forth in any of your applications, please refer specifically to those sections or exhibits which address these matters.

Although the Commission permitted the leasing of excess channel capacity, ITFS licensees are still required to utilize each of their ITFS main channels substantially for traditional ITFS purposes. These purposes are defined in Sections 74.931 (a) and (b) of the Commission's Rules. These rules state that the use of channels for an ITFS service must be primarily for the transmission of instructional and cultural material to specified receiving locations for the purpose of providing "formal educational and cultural development to students enrolled in accredited public and private schools, colleges and universities." In addition, the channels may also be used for the transmission of materials to selected receiving locations "for in-service training and instruction in special skills and safety programs, extension of professional training, informing persons and groups engaged in professional and technical activities of current developments in their particular fields, and other similar endeavors."

You are requested to submit the following:

1. For each channel requested in each of the communities in which you have applied for an ITFS station, a statement showing the percentage of total system time, and the hours during the day, which will be devoted to providing (a) educational and instructional materials to students while they are attending accredited schools; and (b) materials relating to in-service training, professional career development, and other similar endeavors. Separate information should be provided for (a) and (b). Also state, as required by Appendix C to the Report and Order in Docket 80-112, the percentage of time for which each channel will be used by entities other than the licensee. Submit any other information which you believe may be relevant to establish that your proposal is otherwise in conformance with the Commission's Rules.

2. A showing of reasonable assurance that the specified educational institutions and other entities which you propose to serve are supportive of

your application and intend to utilize your service in their educational curricula and/or developmental programs. This showing should take the form of a letter from each receiving location specified in your application. It should be signed by an individual authorized to sign for this purpose on behalf of the specified entity. The Commission is not requiring the submission of a binding commitment from such entities but something more than a mere expression of general interest should be demonstrated.

3. A proposed weekly schedule of programs, as required by Section IV, question 2 of Form 330-P, for each channel requested. On the basis of your proposed weekly schedule of programs, demonstrate, in narrative form, the need for the number of channels you have requested to meet your traditional ITFS programming proposals.

4. Evidence of any accreditation of The Network for Instructional Television by an appropriate state department of education or recognized regional or national accrediting organization, as provided for in Section 74.932(a)(2) of the Rules.

5. As an applicant for a nationwide network, you have not submitted a sufficient response to Section II, question 10 of Form 330-P, to demonstrate that your non-profit organization broadly represents the educational, cultural, and civic groups in the communities where you have applied. For each of these communities, describe the nature and extent of involvement by such local groups in your selection and/or production of educational and instructional programming.

Your response to this letter should be submitted, in triplicate, as amendments to your applications. Prompt submission of the requested information will expedite the processing of your individual applications. In any event, your response should be submitted no later than forty-five (45) days from the date of this letter. In situations where petitions to deny or objections have been filed against an application, a copy of this amendment should be served on the petitioners or objectors.

Sincerely,

Stuart B. Bedell

Stuart B. Bedell
Chief, Distribution Services Branch
Video Services Division
Mass Media Bureau

cc:
Lovett, Hennessey, Stambler and Siebert
Schwartz, Woods and Miller
Crowell and Moring

SUBCOMMITTEE RECESS

The subcommittee will meet next on Wednesday, March 28, to receive testimony from the State Department and the U.S. Information Agency.

The subcommittee will stand in recess.

[Whereupon, at 9:44 a.m., Wednesday, March 14, the subcommittee was recessed, to reconvene Wednesday, March 28, 1984.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, MARCH 28, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m. in room S–146, the Capitol, Hon. Paul Laxalt (chairman) presiding.

Present: Senators Laxalt, Rudman, Hatfield, Specter, DeConcini, and Bumpers.

DEPARTMENT OF STATE

STATEMENT OF GEORGE P. SHULTZ, SECRETARY OF STATE

ACCOMPANIED BY:
- **RONALD I. SPIERS, UNDER SECRETARY FOR MANAGEMENT**
- **ROGER B. FELDMAN, COMPTROLLER**

INTRODUCTION OF WITNESSES

Senator LAXALT. The subcommittee will come to order.

This morning we will receive testimony from the State Department and the U.S. Information Agency.

Our first request will be that of the Department of State. Appearing on behalf of this request is Secretary of State George P. Shultz.

It is a pleasure to have you with us again this year, Mr. Secretary. You may introduce the people who have accompanied you and then we will be pleased to hear your statement.

Secretary SHULTZ. Thank you very much. I have with me Ambassador Ronald Spiers, who is Under Secretary for Management.

Senator LAXALT. Good to have you, Mr. Ambassador.

Secretary SHULTZ. And Mr. Roger Feldman, our Comptroller.

I might say we have been working hard on the managerial aspects of the Department.

Senator LAXALT. I would like to have the record note before you proceed further, the presence of the chairman of the full Appropriations Committee, Mark O. Hatfield. Present also is Senator Specter, a member of the subcommittee.

I understand from having spoken with you previously that you don't have any opening statements and we await your testimony. It is all yours, Mr. Secretary.

DEPARTMENT'S BUDGET REQUEST FOR FISCAL YEAR 1985

Secretary SHULTZ. Thank you very much, Mr. Chairman and members of the committee.

I am here to discuss the President's request for the operating budget of the Department of State.

In fiscal year 1985, the President and I are asking for $2.3 billion and 17,324 positions to support the Department's activities at home and abroad. The dollar figure is an increase of $235 million; the position figure is an increase of 497.

Although the $2.3 billion represents only three-tenths of 1 percent of the President's 1985 budget request for the entire Government, successful diplomacy is our first line of defense. Therefore, we seek not only to fund but to strengthen the critical worldwide activities of the Department and the Foreign Service.

Mr. Chairman, with your permission, I would like to submit my prepared statement for the record.

Senator LAXALT. It will be inserted in the record at the conclusion of your remarks.

IMPORTANCE OF INFORMATION COLLECTION AND ANALYSIS

Secretary SHULTZ. This morning I would like to discuss two important issues with you: The need to expand and improve the Department's ability to obtain and interpret critical foreign affairs information and the need to improve the protection of our people abroad.

I would like to discuss information collection and analysis first, and let me begin by telling you what I mean by these terms: I mean information about the thoughts and plans of key leaders in both developed and developing countries, the internal and external factors which influence these leaders, how they make policy decisions, and how they will react to our own decisions and those of other countries. Analysis of this kind of information must be forward looking. It must predict trends, intentions, and objectives. It must provide policy recommendations. And I would have to say it is done with a lot of humility. These are important questions.

This work is difficult. It often demands the mastery of one or more foreign languages, an understanding of a region's culture and history, and access to and the confidence of foreign leaders. This background and access take time and skill to develop. The development of this sort of expertise is the responsibility of our reporting officers who have the job of day-to-day management of our affairs in their countries of assignment. They are negotiating agreements, making speeches, exchanging information, meeting with the press and dealing with the public constantly. Their reports often may be the product of insights developed from weeks, months, or years of such work.

DEPARTMENT OF STATE REPORTING TO VARIOUS AGENCIES

The Department of State's reporting is the single most important source of information relating to foreign affairs in the U.S. Government. It is regularly provided to more than 60 Federal departments, agencies, and public entities. Such organizations fall into four principal clusters: Security-intelligence, economic-commercial, scientific-technical, and public service agencies.

In the case of the security-intelligence and economic categories, the Department provides more than half of all foreign affairs information received and about two-thirds in the area of the internal politics of other countries and international relations. Foreign Service reporting uniquely combines the results of high-level access to foreign officials with a heavy analytical input so that it is readily usable by top policymakers. It is our best source of information on the intentions of the leaders of a great many countries. I know from my own experience that neither the press nor other kinds of intelligence collection are substitutes. The Department's program is the base for other agencies' efforts. To the degree that we are able to do our job well, other agencies have the data and insight necessary to produce products in a more efficient, timely, relevant, and cost-effective manner.

INCREASING DEMANDS AND DIMINISHING RESOURCES

Despite the importance throughout the Government of Foreign Service reporting and analysis, our ability to maintain its reach and quality is in danger. Over the last several years, our resources for this critical activity have actually declined by 12 percent. Yet the demands for even more reporting grow as new agencies and offices are created to deal with our ever-changing, complex world. For example, in 1974 the Bureau of Oceans and International Environmental and Scientific Affairs was established. This was followed by the Bureau of Human Rights, the Bureau of Refugee Programs, the Office for Combatting Terrorism, the Bureau of International Narcotics Matters, and, most recently, the establishment of the Office of the Coordinator for International Communication and Information Policy and the Office of Foreign Missions. These new offices reflect change; they generate legitimate demands for more information. And growth here is matched by growth abroad. The opening of new consulates in China and of other new posts also add to our reporting load. Unfortunately, the staffing to handle the additional work has not kept pace.

REQUEST FOR ADDITIONAL FOREIGN POLICY POSITIONS

Mr. Chairman, this situation is dangerous and cannot continue. We need more information, better information, and we need it more quickly.

The Department and others in the executive branch have conducted exhaustive internal and interagency reviews of information available compared to national security requirements.

Our request for 154 additional foreign policy positions is necessary to meet the immediate and specific needs for additional political and economic reporting and analysis. This is our most essential function. We simply cannot afford to continue to play catch-up with our national security interests.

These are just the beginning steps of an overall effort to increase the quantity and improve the quality of our foreign affairs information and analysis.

LONG-RANGE PROGRAM FOR CAREER DEVELOPMENT

I have in mind a much broader long-range program. We intend to recruit people who already have considerable area and substantive expertise. We will emphasize strengthening this expertise in the early and middle portions of our officers' careers. We will spend more money to maintain language skills throughout an officer's career. The career development of our officers will be more purposeful and systematic. We also want to establish reports officers positions in all of the important country directorates in the Department to make sure that our information and analysis is responsive to national policy requirements. Finally, we also need additional support in the area of advanced communication.

SECURITY THREATS TO REPRESENTATIVES AND MISSIONS ABROAD

Mr. Chairman, now I would like to turn to our security problems abroad. It is obvious that our effort to improve reporting and analysis will come to nothing if we cannot work abroad. It is clear that we are in a new era of greater risks. It is also clear that the fundamental cure for much of the terrorist threat to our people and installations is settlement of the underlying issues. While we work for such settlement, we must live in this dangerous environment for some time to come, and we must plan accordingly.

MAJOR INTIATIVES FOR SECURITY IMPROVEMENT

I plan to do two things about this, one immediate and one longer range. First, while we have a funded, ongoing security improvement effort reflected in the budget, we are reassessing our priorities to accelerate the implementation of security measures in the Persian Gulf area.

Second, I plan to convene a high-level advisory panel to look with us at the future ramifications of the worldwide security issue.

Increased levels and changing patterns of violence aimed at U.S. diplomatic installations have required our having to request additional moneys on three occasions in the past 3 years. This has been a reactive posture. Unfortunately, the nature of the security threat continues to change. If our improved physical security blocks physical penetration, our adversaries look for other means of attacking—by car bombs or ambushes, for example.

When we close the vehicular threat, they will seek a new approach: rocket-launched missiles, airborne attack, or new targets, such as residences or schools. Yet none of the old threats disappear.

We need a comprehensive examination of our security strategy. We should look as far into the future as we can and estimate the resources that will be necessary. We need to know:

The nature of the security threat now and in the future?

What we need to do to protect our people and installations in the next 10 years?

What the United States should do to fulfill its obligations to protect foreign missions and personnel situated in a high-threat country?

What this protection would cost?

We seek a bipartisan political consensus for such strategy and its funding.

An advisory panel, composed of individuals whose status and credentials are beyond question, would be the most effective way to develop such a strategy and the necessary support for its implementation.

What I will be asking the group to do is to give its advice on the appropriate balance between the risks and benefits of our presence abroad. What I hope to see will be a map that will guide us into the future.

STRENGTHENING OF DEPARTMENT AND FOREIGN SERVICE

Mr. Chairman, last fall I urged the President to make a commitment, in a difficult budget situation, to a stronger Department of State and Foreign Service. He agreed, and the result is this budget before you. I ask you and your subcommittee to give it your strongest support.

This concludes my testimony, Mr. Chairman. I will be happy to respond to questions you or the members of the committee have.

[The prepared statement of Secretary Shultz follows:]

PREPARED STATEMENT OF HON. GEORGE P. SHULTZ

SECRETARY OF STATE

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you to present the Department of State's request for 1984 supplemental appropriations and the budget for 1985.

During the past year, the worldwide environment for the Department has become more dangerous, costly and difficult to support. In this complex and all too often hostile setting, the Department must seek increases in the resources required to carry out the diplomatic and consular responsibilities of the United States. The President's request for much needed increases for the Department recognizes the vital role foreign policy plays in contributing to our national security.

This request will continue operations of the Department of State at existing levels and provide limited growth in vital substantive and support areas. It was developed in conjunction with other foreign affairs agencies, is based on an intensive resource review and represents a cost effective approach to meeting this country's foreign policy and national security goals.

Total Budget Request

For 1985, the Department is requesting appropriations totaling $2,338,951,000. This represents an increase of $235,057,000 and 497 positions above the 1984 appropriations, after adding proposed supplementals totaling 238 positions and $49,587,000. Most of our requested increases are required to continue programs supported by this Committee in previous years.

About 52% of the total increase for the Department's 1985 operating budget is needed to continue operations at 1984 levels. This increase is first needed to keep pace with higher overseas operating costs where inflation often exceeds that in the United States. Other increases are workload related such as for passport and consular activities, overseas administrative support to other foreign affairs agencies, cost increases required to support our domestic-based employees and continuation of previously approved Foreign Buildings projects.

The remaining 48% of the Department's requested increase is for programs which will continue to renew our operational capabilities and strengthen several areas of crucial importance to our global capability. Failure to make these investments not only jeopardizes the effective conduct of foreign affairs but also increases the size of such necessary investments in the future.

Two of the most important issues facing the Department are the reporting and analysis of foreign affairs information and the security of our people and properties abroad. Our request contains major initiatives in both of these areas.

First, this budget will strengthen our reporting and analysis of foreign political and economic events. This is our most essential function. For this purpose, we are requesting 146 positions and $9.0 million in a 1984 supplemental appropriation and an additional 8 positions and $0.8 million as part of the 1985 request. We must improve our ability to report and analyze the significance of foreign political and economic events and how they relate to American national security interests. Indeed, the crucial relationship of the Department's information collection and analysis program to this country's foreign policy decision process was a central element in our budget review process with the President. To this end, the Department's request is needed to meet immediate, specific needs for additional reporting and analysis. These needs were identified through exhaustive internal and inter-agency

Executive Branch review of available information and the national security requirements for additional information.

Our conclusion is that we must improve the foreign affairs information and analysis available to the Department, the National Security Council and the President;

Second, in conjunction with the other security-related projects contained in this request, we plan two major security improvement initiatives, one immediate and one longer range. First we are reassessing our priorities to accelerate the implementation of improved security measures in the Persian Gulf. Second, I will convene a high level advisory panel to conduct a comprehensive examination of our worldwide security strategy.

We must continue to improve with your assistance the security of our people and property overseas. The recent series of vehicle bombings in the Middle East represents a serious escalation in the security threat - in addition to the wide spectrum of existing concerns - to U.S. personnel and facilities overseas. In 1983 alone, three such suicide bombings against U.S. installations - the U.S. Embassies in Beirut (April) and Kuwait (December) and the Marine Corps headquarters at the Beirut Airport (October) - accounted for over 300 deaths and scores of injuries. The most recent intelligence estimates offer no reason to believe that this threat will diminish. On the contrary, we can only assume that the overall threat level against our overseas activities, particularly in the Middle East region, will grow even further, fueled by such events as the continuing civil conflict in Lebanon and the Iran-Iraq war. An additional and extremely disturbing development is the recent assassination of MFO Director General Hunt in Rome and the evidence that suggests a connection between a revived Red Brigade in Italy and the role of the U.S. in Middle Eastern affairs.

Other important initiatives are needed to:

-- Improve the security, reliability and cost effectiveness of the Department's communications systems.

-- Provide new office and housing facilities where needed and continue to upgrade and restore our inventory of overseas property valued at an estimated $5 billion.

-- Expand the Department's worldwide information processing capability.

1984 Supplemental Appropriations

The proposed 1984 supplemental appropriations total 238 positions and $50.1 million and are required for the following urgent unbudgeted needs:

-- 146 positions and $9.0 million to fund 135 reporting and analysis and 11 international communications policy positions. These resources form the basis of our major initiative to strengthen political and economic reporting and analysis efforts;

-- 49 positions and $4.2 million to handle unanticipated increases in passport workload levels. In 1982 and 1983, the extraordinary strength of the dollar produced significant increases in the demand for passports, well beyond budgeted rates. The cumulative impact of these unanticipated passport workload increases is a severe shortfall in the resources needed to process the projected passport workload during 1984;

-- $10.5 million for urgent security requirements;

-- 36 positions (including 20 local nationals) and $5.1 million to open a mission in Grenada. The mission will be headed by a Charge and will include a small staff to assist as appropriate the economic development of Grenada;

-- $10.4 million to fund the January 1984 Federal pay raise;

-- $1.8 million to modernize the Coordinating Committee (COCOM) facilities in Paris so that COCOM can improve its capabilities in line with the increased emphasis on strategic trade controls;

-- 7 positions and $1.5 million to support the U.S. Delegation to the Conference on Disarmament in Europe in Stockholm and fulfill the President's commitment to fully support the Helsinki nuclear disarmament process;

-- $2.5 million to handle unanticipated increases in protective security and communications support for the 1984 Summer Olympics in Los Angeles; and

-- $4.6 million to finance the unfunded liability of the Foreign Service Retirement Fund created by the January 1984 Federal salary increase.

Major Components of the 1985 Funding Request

After including these proposed supplementals, our 1985 request, as I indicated above, reflects a net increase of $235,057,000 and 497 positions over 1984.

The 1985 request reflects changes in four major operating areas:

First, in the Salaries and Expenses appropriation, there is a net increase of $162.6 million. This increase is requested primarily to cover overseas wage and price inflation, workload increases, built-in security cost increases and critical improvements for the Department's operations in the areas of security, reporting and analysis, consular activities, professional development, post openings, information systems, communications, and administrative support.

Second, the regular and special currency Foreign Buildings appropriations include a total net increase of $50.2 million. In addition to new development and construction projects, the 1985 Foreign Buildings budget includes the second installment in a multi-year capital renewal program to maintain the Department's worldwide inventory of property. Included in the basic program level of these appropriations are resources to fund initial development and or construction of office and housing facilities in nine countries.

Third, we are proposing two new appropriations requiring budget authority of $14.5 million as follows:

-- $9.5 million to provide reimbursements, in case of extraordinary need, to state and local governments and to secure services of private firms for increased protection of foreign missions and officials in the United States; and

-- $5.0 million to provide research opportunities, through grant support, in specialties of high interest to the professional Soviet/East European studies community and to United States policymakers.

Fourth there is a total net increase of $7.8 million among all other appropriations. This growth results from increases for Contributions to International Organizations ($6.8 million), International Conferences and Contingencies ($2.3 million), International Commissions ($3.7 million) and other appropriations ($1.3 million) offset by adjustments to Buying Power Maintenance (-$4.6 million) and the Payment to the Foreign Service Retirement and Disability Fund (-$1.7 million).

In addition, this request includes a one-time off-budget appropriation of $110 million worth of U.S. owned Indian rupees. This appropriation will establish a binational U.S.-India fund for cooperative scientific, educational and cultural activities. The fund will provide an effective means of furthering long-term cooperation and friendly relations between the U.S. and India.

Major Components of the Position Request

The Department's 1985 request totals 17,324 positions, a net increase of 497 positions over the 1984 level.

Of the 497 positions increase, 301 positions are for built-in changes, largely for consular and passport workload as well as administrative support requirements.

The remaining 196 positions are needed for new initiatives including:

-- 48 positions for opening six posts: Wuhan, Peoples Republic of China; Windhoek, Nambia; Luanda, Angola; Moroni, Comoros; and resident representative offices in Ponape and Majuro, Micronesia, along with an associated office of Micronesian Affairs in Washington, D. C.

-- 8 positions to strengthen the substantive reporting and analysis capability of the Department;

-- 11 positions to improve consular and passport activities;

-- 17 positions for expanded professional development;

-- 28 positions for communications support;

-- 27 positions for information systems; and

-- 57 positions for security, legal support, the development of a new property management system for our facilities abroad and for support of air pollution studies on the Canadian border.

Mr. Chairman, last fall I urged the President to make a commitment, in a difficult budget situation, to a stronger Department of State and Foreign Service. He agreed, and the result is the budget before you. I ask you and your Subcommittee to give it your strongest support

This concludes my testimony. I will be happy to respond to questions you or the members may have.

DIPLOMATIC RELATIONS WITH THE VATICAN

Senator LAXALT. Thank you. I know that Senator Hatfield, perhaps among others, is interested in the Vatican matter. Perhaps I can address the question to you so that he may discuss that with you later.

Mr. Secretary, as you know, recently the President established diplomatic relations with the Vatican and the Senate confirmed the nomination of Mr. Wilson to be the Ambassador. To fully staff that Embassy, the Department has requested authority to reprogram approximately $350,000 out of the "Salaries and expenses" account. Before approving the request, I have been asked by some of my colleagues to fully air both sides of the issue during the course of these hearings. Several individuals and groups testified against the reprograming on March 5 at our public witness hearing. Today, would you briefly outline why the United States established relations with the Holy See and why you need the additional resources?

Secretary SHULTZ. I will take the second question first. If we are going to have a mission, obviously we have to fund it. So I think the issue is whether to have a mission or not. And it seems to me that basically is a simple proposition.

I am one who urged the President to take this step strictly for diplomatic reasons. The reasons are that in addition to being a very significant religious organization, the Vatican is a worldwide organization that gathers information, takes positions, sponsors all kinds of activities, medical activities, refugee activities, so on and so forth, all around the world, they represent a valuable diplomatic post as such.

Most other countries have recognized that fact and have official representation there. So, I think it makes very good sense for us to do likewise.

I have had a number of opportunities to talk with the people in the Vatican about various aspects of world affairs. It is always rewarding. They are extremely well-informed. They do things. Most recently, for example, it is fair to say that Vatican efforts have been leading to the solution of the Argentine-Chile problem in the Beagle Channel area. It is a very active diplomatic post and we should be represented there.

Senator LAXALT. Senator Hatfield.

LEGAL ASPECTS OF UPGRADING U.S. MISSION

Chairman HATFIELD. Thank you. Before I follow up on that particular issue, may I commend you, Mr. Secretary, for a very wise proposal that you have made in your testimony in relation to both the information-gathering activities and, most especially, to the security of our representatives abroad and here. I am sure you agree that there is no 100 percent protection that can be devised, but certainly we ought to do everything possible within our abilities to give that protection.

Mr. Secretary, I am sure there were legal opinions asked for by yourself or the Department before you made this recommendation to the President, in-house legal opinion. What was the legal authority that you based your decisions on in upgrading our representation to the Vatican or to the Holy See?

Mr. SPIERS. As you may recall, we had diplomatic representation in the Vatican up until 1867, at which time I guess there was a law passed which cut off that representation. Last year that obstacle was removed and, therefore, it was a natural thing for us to move to change the representation from an observer, a personal observer, to a formal diplomatic mission.

Chairman HATFIELD. Let me restate my question. I know what took place, but what I want to know, when the Secretary made his recommendation to the President, what was the legal opinion or the legal counsel that was given to the Secretary? Is there a copy of it? There must have been some assessment given as to the legal aspects of this question by the Department, the question of constitutionality being a relevant one.

Secretary SHULTZ. We did have a statement from our legal department. What is it that you would like to know about it—what it said?

Chairman HATFIELD. Yes. I would like to know what legal counsel was and if we could have a copy for the committee, I would like that, too. I would like an indication what the legal base was on the question of constitutionality and so forth.

Secretary SHULTZ. I will read the last two paragraphs:

> As a matter of international law, the Holy See and the Catholic Church are entirely different entities, notwithstanding that the supreme leadership of both is united in a single individual, the Pope. In this respect, the position of the Pope is roughly analogous to that of the British sovereign who, on the one hand, is the personification of the Crown and, on the other hand, is the head of the Church of England. Moslem countries, of course, have diplomatic relations both with the Holy See and the United Kingdom.
>
> The establishment of relations with the Holy See is no more than the establishment of relations with a subject of international law, and in that regard is legally no dif-

ferent from the establishment of relations with another state or the accreditation of a representative to an international organization. The establishment of relations would in no way confer upon the Holy See an international legal status that it does not otherwise enjoy, and in no way constitutes "recognition" of, or otherwise grant a privileged position to the Catholic Church in the United States.

I don't have any personal objection to turning this memorandum over to you, but I guess there are all sorts of legal reasons why that may be a problem.

Senator LAXALT. Is it a problem?

Secretary SHULTZ. I don't want to get in trouble with the lawyers who guard the sanctity of the executive branch. Let me make it a part of the record.

Senator LAXALT. We would appreciate it if you would.

[The memorandum follows:]

United States Department of State

Washington, D.C. 20520

March 29, 1984

MEMORANDUM OF LAW

SUBJECT: Diplomatic Relations with the Holy See

SUMMARY

The Holy See and the City of the Vatican both have international personality and enter into relationships with other international personalities. The Holy See, however, is not a State in the full international sense of that term; nor is the City of the Vatican because it is so small in territory and people. Accordingly, while we properly have entered into diplomatic relations, it cannot be described in the same terms as diplomatic relations with a traditional geographic and political State, such as the United Kingdom.

DISCUSSION

The normal situation under international law can be quite simply described:

> "Every independent State has a right to send public ministers to, and receive from, any other sovereign State with which it desires to maintain the relations of peace and amity. No State...is obliged, by the positive law of nations, to send or receive public ministers..." (Wheaton, Elements of International Law (1866 ed.) p. 290)

Strictly speaking, the Holy See is a non-territorial entity which general customary international law recognizes as possessing an international personality which, although not the same as that of a sovereign state, is sufficient to permit the Holy See inter alia to enter into treaties and other international agreements as the juridical equal of a state, and to send and receive representatives whose status is that of diplomatic agent. (The representatives of the Holy See, known as Papal nuncios, have enjoyed a diplomatic rank equivalent to that of Ambassador since at least the time of the Congress of Vienna in 1815. They are accredited to the head of the receiving State, not the Foreign Minister (7 Whiteman, Digest of International Law (1970) p. 58).

The ceremonial for presentation of credentials to the head of the receiving State, which is the act which gives effect to the appointment, varies from country to country and may be modified to reflect special circumstances, such as the illness of the head of State (ibid. chapter XVII, sec. 5 pp 58-66). In the United Kingdom, the seat of the crown is the Court of St. James, so the ceremonial for ambassadorial credentials is to present them at the Court of St. James (Satow, Guide to Diplomatic Practice (4th ed. 1964) sec. 266, pp 150-151). (It should be noted that the Queen is head of the Anglican Church, and part of her official title is "Defender of the Faith".)

The international personality of the Holy See is the consequence of centuries of historical development and state practice and, as part of general international law, is binding on all states whether or not they maintain relations with the Holy See.

As noted above, the Holy See as a subject of international law exists independent of any territorial connection. This is confirmed by state practice following the extinction of the Papal States in 1870 and prior to the establishment of the Vatican City in 1929. During that period states continued to maintain diplomatic relations with the Holy See and to otherwise act consistent with the recognition of some international personality different from that of territorial sovereign.

The Vatican City itself, while possessing many of the practical attributes of statehood, is technically not a "sovereign state" in the modern sense, but is more accurately referred to as a "patrimonial" state of the Holy See, in that it is wholly owned by, and exists only to support, the Holy See. (Kung, "The Status of the Holy See in International Law", 46 Am. J. Int. Law (1952) 308, 309-313; excerpted at 1 Whiteman supra pp 588-591). The Holy See as the government of the City of the Vatican, which does itself have sufficient international personality to enter into relations with States, international organizations, or other international personalities, may conclude international agreements on behalf of the City of the Vatican. It is well established that a State may receive and send public ministers to international personalities which are less than independent sovereign states (see 7 Whiteman supra. pp 2-4)

As a matter of international law, the Holy See and the Catholic Church are entirely different entities, notwithstanding that the supreme leadership of both is united in a single individual, the Pope. In this respect the position of the Pope is roughly analogous to that of the British sovereign, who on the one hand is the personification of the Crown, and on the other is the head of the Church of England. Moslem countries, of course, have diplomatic relations both with the Holy See and the United Kingdom.

The establishment of relations with the Holy See is no more than the establishment of relations with a subject of international law, and in that regard is legally no different from the establishment of relations with another state or the accreditation of a representative to an international organization. The establishment of relations would in no way confer upon the Holy See an international legal status that it does not otherwise enjoy, and would in no way constitute "recognition" of, or otherwise grant a privileged position to, the Catholic Church in the United States.

POPULATION OF THE HOLY SEE AND THE VATICAN

Chairman HATFIELD. Mr. Secretary, then, according to the legal memorandum from which you quoted, the Holy See is distinguished from the Vatican, the Holy See as a geographic entity.

Do you know the population, offhand, of the Holy See?

Secretary SHULTZ. I do not, Mr. Chairman.

Chairman HATFIELD. I believe it is around 1,000. The Vatican represents, what, 500,000 followers throughout the world.

Secretary SHULTZ. A lot more than 500,000, Senator.

Chairman HATFIELD. It is more than 500,000, millions. I am trying to get this down to something I can handle. I can't handle millions, trillions except in the appropriations sense. [Laughter.]

I would like to see that memorandum because I do think that we are talking here about something that does raise the question of constitutionality.

ADVANTAGES OF DIPLOMATIC STATUS

American magazine, the spokesman for the Jesuit Order, has raised some very serious questions, as well as the National Council of Churches and other groups. As you know, a lot of questions have been raised.

What kind of information do you think is available or will be available in upgrading this post from a Presidential envoy, which we had there since Myron Taylor. We had an observer and a representative. What kind of information will be available having an ambassador that we did not have access to in having an envoy?

Secretary SHULTZ. I think that a personal envoy is well received and the present one is well received on a personal level. So, in that sense, we have had a reasonable contact with the Vatican.

On the other hand, I think there is a great difference between somebody who is there intermittently and on his own recognizance, so to speak, and a person who is there officially, full-time, with full-time representation, and takes the trouble to know people who are his opposite numbers and to develop a much richer interchange with them.

I think it is that kind of thing that enhances your ability to interact with the unit to which you are accredited.

I have some information about the Vatican here that I can put in the record.

FACTS ON THE HOLY SEE AND VATICAN CITY

Population is about 1,000 including several hundred Swiss Guards.

Chairman HATFIELD. The Holy See?

Secretary SHULTZ. No, Mr. Chairman, the Vatican City. It covers 108 acres. Italian is the official language. The Vatican City has its own police force, garbage collectors, post office, railroad station, civilian work force, various shops, library, museum, and so on.

Vatican City was made into a sovereign entity by the Lateran Pact signed by Mussolini and the Vatican Secretary of State in 1929.

Outside of Vatican City, the Vatican owns a significant amount of property, some of which is extraterritorial relative to Italy. The Papal palace and grounds at Castel Gandolfo is the largest such extraterritorial holding.

The official currency is the Italian lira.

The Vatican issues its own stamps and is a member of the International Postal Union.

The Holy See has diplomatic relations with 108 countries, 45 of which maintain resident ambassadors in Rome.

I will put this fact sheet in the record.

Senator LAXALT. Without objection, we will order it.

[The document follows:]

DEPARTMENT OF STATE BRIEFING PAPER

VATICAN FACT SHEET

Population: About 1,000 including several hundred Swiss Guards.

Area: 108 acres.

Official language: Italian (some official documents still printed in Latin).

Vatican City has its own police force, garbage collectors, post office, railroad station, radio station, civilian work force, various shops, library, museum, etc.

Vatican City was made into a sovereign entity by the Lateran Pact signed by Mussolini and the Vatican Secretary of State in 1929.

Outside of Vatican City the Vatican own a significant amount of property, some of which is extraterritorial relative to Italy. Papal Palace and grounds at Castel Gandolfo is largest such extraterritorial holding.

Official currency: The Italian lira.

The Vatican issues its own stamps and is a member of the International Postal Union.

The Holy See has diplomatic relations with 108 countries, 45 of which maintain resident ambassadors in Rome.

The Holy See's diplomatic corps is highly regarded. There are Vatican diplomatic missions headed by nuncios and pro nuncios in most South American, European, and Asian countries. In countries where Roman Catholicism is the predominant religion the nuncio is often the dean of the diplomatic corps.

The Holy See has observer status in the United Nations and the Organization of American States and participates in many UN organizations

HOLY SEE AS DIPLOMATIC SOURCE

Chairman HATFIELD. Mr. Secretary, obviously you are not relying on the apparatus of the Holy See, which you just defined, for this worldwide network gathering. You are really relying on the Vatican's ecclesiastical organization. So, it is not a political entity that is going to give you the advantage of this information or, as Mr. Dam said, be able to influence the political positions of the Vatican, but really the ecclesiastical network of the Holy See being a political entity you just described in this fact sheet. Now you moved from the Holy See to the structure of the Vatican which appears to be an ecclesiastical network around the world and you are going to draw from a religious body this information that is going to be available from the missionaries, from the far-flung representatives of the ecclesiastical organization. Is that correct?

Secretary SHULTZ. I think that far-flung network is fundamentally a religious group, all right, but it does all kinds of different things. Much of its work is done by laymen who take part in activities in which we have an interest and from which information is gathered in various countries. They have insight into the situation in different countries. It is difficult for us to get this. For example, we are very much interested in developments in Poland, and I think it is fair to say that the Catholic Church probably has as rich a flow of information to it as any state has about what is taking place in Poland.

To the extent we can be privileged to know about that, I think it serves a good purpose.

ROLE OF MISSIONARIES

Chairman HATFIELD. So then, if we consider the Catholic missions throughout the world as listening posts and as information-gathering activities—as you know, there is increasing concern expressed by various governments of the world regarding the possibility of missionaries being fronts for the CIA or being sympathetic to rebels in their country, or being such as liberation theology in the Catholic Church in Central and South America and these other things—have we not put missionaries under an increased burden to maintain their religious missions and not become politicized entities.

In fact, we in Congress on previous occasions have solicited from the Director of CIA, then Mr. Bush, commitments that they would stop trying to use missionaries because of the dangers we are putting the missionaries in, in some cases with their lives.

Do you think this action now will again raise this whole question of the role of missionaries abroad representing their faith instead of a political-gathering agency?

Secretary SHULTZ. I don't see any reason why it should. There is nothing secret about what we are doing. There is no compulsion in here for the church to give us any particular information at all. Everything is open and above board.

Chairman HATFIELD. Did you get any kind of request from the Holy See on this action? Did you get a recommendation or did they ask for this action?

Secretary SHULTZ. This is something that we discussed. They were not pushing for it. They didn't wish to have something take place that would stir up a storm in this country. On the other hand, I think they see many of the same advantages as we do in having a somewhat larger, more regularized, official kind of representation.

Chairman HATFIELD. Do you have a feeling they were withholding information or other information was available you were not receiving through a Presidential envoy?

Secretary SHULTZ. No, Mr. Chairman.

DIFFERENCE OF DIPLOMATIC REPRESENTATION

Chairman HATFIELD. So there was no evidence that we really weren't getting all the information available as is, under an envoy?

Secretary SHULTZ. If you just send a representative who goes over and gets himself a residence, and continues to perform his activities, you don't get the mileage out of that part-time representation that you would get with a full-time resident and professional staff.

LOCATION OF EMBASSY RESIDENCE

Chairman HATFIELD. Will we have an embassy residence in Italy or in the Holy See?

Secretary SHULTZ. The residence would be located off Vatican grounds.

Chairman HATFIELD. I have some other questions, Mr. Chairman. I don't want to delay this further. I think I have expressed my deep concern about this action.

Let me say, it is certainly not from any desire to try to reduce our relationship. I think the envoy has been a very important post and I supported the existence of the envoy. What I sense in this is that the history of the church has been very interesting. I think its greatest era was when it had a lesser political emphasis and its greatest era was when it was truly a spiritual role in the leadership.

I think the present Pope is basically one of the greatest spiritual leaders of this age and I feel we really are denigrating that role by taking this action because we are, in effect, politicizing the Pope. You say they are already there in these roles from other countries, but the fact the United States should select this particular time, the time when the Pope has given such spiritual leadership to the whole world, not just the Catholic world, I think tries to put upon him the mantle of political leadership. I submit to you, any political matters and issues that he addresses are but a secondary fallout from the prime commitment to his faith and to Christ and therefore——

Secretary SHULTZ. I am in total agreement with you on that, and I am sure that if by chance His Holiness were here, he would be even more emphatic.

Chairman HATFIELD. I feel it is negative in the sense that we do not have the evidence that we have to do this in order to gain the information that is available there now and I think this action does, in a sense, have the perception or appearance of politicizing basically a spiritual organization, as I view the Catholic Church.

Thank you, Mr. Chairman.

Senator LAXALT. I thank the Chairman.

Secretary SHULTZ. I would like to say we are in no way trying to put on a political mantle or politicize or anything of that kind. We are simply trying to regularize and make more worldwide a relationship that is an important one and essentially a very good one.

Chairman HATFIELD. I chose my words carefully when I said "perception." I am not suggesting you are. I am saying the perception is among people I talked to within the Catholic Church. Some people will question whether the Jesuits are above or outside the Catholic Church, but I think the Jesuits are a fundamental part of the history of the Catholic Church.

Secretary SHULTZ. I make no comments, sir.

Chairman HATFIELD. I will leave that to my chairman. There are many who are troubled by this, as you know. This whole action I felt was important to put on the record today.

Senator LAXALT. Do any of my colleagues wish to speak on the issue or question the Secretary?

ENVOY'S OFFICIAL TRIPS TO THE VATICAN

Senator BUMPERS. Mr. Wilson, who is our envoy there, reportedly made six trips a year to the Vatican. How many days a year did Mr. Wilson actually spend at the residence while he was serving as the President's envoy? Do you know that?

Secretary SHULTZ. I am sure we have a tabulation somewhere. We can get it for you.

LOCATION OF EMBASSY RESIDENCE

Senator BUMPERS. That will be OK.

I think you probably answered this question for Senator Hatfield. Where is the residence going to be located? Will it be the same one as the envoy uses now?

Secretary SHULTZ. He leased a house there. I believe that is where he is living.

Mr. SPIERS. It is a leased residence near but outside the confines of the Vatican. My understanding is that he intends to continue to maintain that residence. It will be leased by the U.S. Government.

Secretary SHULTZ. I expect in the end when this settles down, we could purchase a residence or have one that is the possession of the U.S. Government, but we have not done that.

RESERVATIONS ABOUT UPGRADING OF MISSION

Senator BUMPERS. Mr. Secretary, I think Senator Hatfield has covered most of the questions I wanted to ask, but I must say while you state that you do not choose to put a political mantle on it, I cannot, from my standpoint, see it in a different light, from my standpoint, not the President's.

The reason I say that is because I voted against it, and I am going to continue to vote against it because I do think it has a constitutional problem, and if it doesn't have a constitutional problem I think it has an ethical problem in the country. Let me indicate for the record that our distinguished minority member, Senator Hollings, is firmly opposed to the appointment of an ambassador to the Vatican as well as the reprograming of funds to upgrade the U.S. mission at the Vatican. I submit for the record questions from Senator Hollings.

I am cast in the position of feeling strongly about those issues and, yet, I don't see how I can vote the way I do without being perceived by the Catholic community as having a bias, which I do not. And I must say I resent being put in that position because I feel very strongly about it. I feel almost as strongly about that as I do the constitutionality of the school prayer.

Let me close with this one question. Is there any contradiction at all between favoring upgrading the status of our envoy to ambassador to the Vatican and the administration's opposition to moving the Embassy to Jerusalem?

QUESTION OF MOVING EMBASSY TO JERUSALEM

Secretary SHULTZ. I don't see any parallel.

Senator BUMPERS. I know I said this before but just for the record, could you tell us what you think the result would be in our Mideast policy if the Embassy were moved to Jerusalem? It would make your job much more difficult.

Secretary SHULTZ. I think so, but I don't think that is the main point. The main point is that Jerusalem is a city that contains places of central importance to three great religions. Its status is unsettled in the eyes of the international community and in the eyes of most of the countries of the world. The position of the United States has been, through a whole series of administrations, that the status of Jerusalem should be settled through negotiations. I think before any move is made that suggests a decision on the part of the United States about the way in which the site should be treated and access to it should be treated, there ought to be an international agreement. Otherwise we are taking a step that has a deep religious meaning to a great many people throughout the world, most especially those of the Moslem religion. I believe that is the principal point.

If we do it and the residences are actually moved, I am sure there will be a tremendous set of implications that we will have to cope with. I think it is practically 100 percent undesirable, but I don't think that is the essence of the problem. The essence of the problem is the right and wrong.

ADVANTAGE OF DIPLOMATIC STATUS AT THE VATICAN

Senator BUMPERS. Mr. Secretary, on the Vatican issue, our Ambassador is not going to be in the Vatican and yet one of the rationales for it is that it is a listening post for us.

No. 1, what can we hear through an ambassador who will not be housed in the Vatican that we could not hear through an envoy who was not housed in the Vatican?

Secretary SHULTZ. I think the difference is between someone on the one hand, who makes trips there, is there part-time and has other things to do, and someone, on the other hand, who is there on a full-time assignment with a professional staff that works at it and interacts with the officials of the Vatican and other countries accredited there. By having a regular representative who generally undertakes the kinds of activities as in a political post, you learn more.

Senator BUMPERS. Thank you, Mr. Chairman.

Senator LAXALT. I thank the Senator.

As long as we are pursuing this noncontroversial question before us, do any of my colleagues have any questions in that respect?

JERUSALEM ISSUES

Senator SPECTER. I do on the Jerusalem question, Mr. Chairman.

Mr. Secretary, there are two issues on the Jerusalem question: One is the constitutional matter which you have placed on separation of power of executive versus legislative; and the second is the policy consideration.

There is substantial support in the Congress, I believe, for moving the Embassy from Tel Aviv to Jerusalem and, as I understand it, you have raised a question that is really an executive prerogative. And the point that comes to my mind on the testimony earlier is that the action in Congress in 1867 in having a hand in the determination of the status of U.S. representation to the Holy See, doesn't that really set a precedent, if not a conclusive determinant, that the Congress does have a role in determining where State Department representation should be and what it should be?

Secretary SHULTZ. I think that action was with respect to whether there should be representation or not, and I am not sure precisely what the nature of that status was and what its constitutional implications were. I guess it had to do with funding, declaration to funding, which obviously the Congress does. If you do not have funds for representation to the Vatican or if you decide that you shouldn't have any representation, you deny the funds to the Embassy there; that is something else.

Senator SPECTER. In the hearings before the Foreign Relations Committee, Senator Pell suggested that as an alternative the Congress should deny funds for the State Department to place an embassy in Tel Aviv and therefore leave only the opportunity to have one in Jerusalem. And my statement at the time, he asked me the question when I testified and I said I thought that would be an unwise course, we might end up with no embassy there at all.

Secretary SHULTZ. I agree with you.

Senator SPECTER. It would seem to be a harsh conclusion that the Congress' only input would be to cut off an embassy that we would have the power to do that, but we not have the power to express public policy or national declaration—the President could always veto it.

Secretary SHULTZ. Let me turn the point over and ask you a question. Is there anything at all that you can think of in the field of foreign affairs that the Congress should not have the power to do?

Senator SPECTER. Yes.

Secretary SHULTZ. Then the question is what things should constitutionally belong to the President in the conduct of foreign affairs. Somewhere between the responsibility for the declaration of war and the responsibility for the appropriation of funds there is a line to be drawn.

Senator SPECTER. Mr. Secretary, you have gone in much deeper water on the Jerusalem issue, in my opinion. I think that the line has gone much farther with the President taking over congressional roles. I won't go over that now, we did that in the Foreign Operations Subcommittee, with the President having undertaken the congressional authority to declare war. As you and I talked in some length, and you have agreed that Vietnam and Korea were wars. But it seems to me that it is a very modest statement for the Congress to express public policy or national declaration to have the location of an embassy as opposed to the President's waging of war without a congressional declaration.

Secretary SHULTZ. I observed that in the law, principles are often tested by small, apparently small incidents. I suppose it is something more general. I am at a great disadvantage with a high-powered lawyer like yourself, but I think if there is a constitutional issue, let's wait to fight that out just as if there is a constitutional issue about the establishment of relations, diplomatic relations, with the Vatican. There is a way to find an answer to that.

Senator SPECTER. The only answer that I totally disagree with is your statement of our relative power. Let me pursue Jerusalem with one more point.

Secretary SHULTZ. Are you in agreement with me on Jerusalem?

Senator SPECTER. I say that I disagree with you more in your representation of me as a high-powered lawyer compared to yourself. If you made Senator Bumpers the high-powered lawyer, he may not have disagreed with you.

Secretary SHULTZ. I do think that this issue of how the Congress and the executive branch should interact in the field of foreign affairs, particularly on the matter of Jerusalem, is an extremely important issue and whether you think it is in the right place or not now, it has moved in recent years very much in the congressional direction. It seems to me in some of our recent experience we could see some of the downside of that. But I think it is an important issue and it ought to be thoroughly discussed, preferably in an atmosphere not having to do with some particular action that we are struggling with, but on a more general plane.

I know I am trying to think about it a lot myself; I know you are. I would welcome a thorough review.

Senator SPECTER. My final question, Mr. Secretary. Couldn't there be an accommodation of positions if the Embassy were in west Jerusalem? Wouldn't that answer the concerns that you have? I for one do not think it advisable at this time to have a confrontation on the issue. There has been a question raised as to whether we would attach this to the current legislation pending on the Appropriations Committee; I am not in favor of that. I do not think it advisable at this time to pose that kind of confrontation between the Congress and the executive and I think it is much better if we can work it out in some agreeable form.

Secretary SHULTZ. I think it has been declared a unified city by Israel. Israel has declared itself to be sovereign over the entire city. In regard to this, I must say our own position as a country is that Jerusalem should remain a single entity, but that the status of Jerusalem and access to it, and control of the various religious sites are matters of negotiation.

Senator SPECTER. Thank you.

Senator LAXALT. Senator Rudman.

Senator RUDMAN. Thank you, Mr. Chairman.

After all the lofty discussion about ambassadors and embassies between high- and low-powered lawyers, this being a country of lawyers, I would like to ask you a very specific question.

Senator LAXALT. Be real careful. [Laughter.]

Senator BUMPERS. At home that is what we call dealing a one-eyed mule, you never know when they are going to kick you.

USE OF FOREIGN ASSISTANCE FUNDS FOR POLICE TRAINING

Senator RUDMAN. Mr. Secretary, last year we had a discussion about Section 660 of the Foreign Assistance Act, the prohibition placed in 1974 by the Congress on the use of foreign assistance funds for the training of police in the countries around the world. Obviously we could all agree with what the genesis was of that. I looked back through the legislative history which states that we might train police and those police in turn would be used for suppression by unjust dictatorships, unjust governments. It seems that the situation has changed. Aside from limited Marine guards, our embassies depend almost completely in most places on the local police to protect them.

Have you given any further thought to our discussion last year of attempting to have section 660 changed, and the legal counsel considered it in some limited way to allow us to provide funds in some of the capitals where our embassies and consuls are located, in order to try to help these local police departments reach a higher degree of efficiency in terms of particularly antiterrorist activities?

Secretary SHULTZ. I think it would be a constructive thing to do.

Senator RUDMAN. Is it something that the Department has attempted to talk about to the various leaders here in the Congress who essentially have to assent to putting this kind of proposal?

Secretary SHULTZ. I think in some discussion connected with the bipartisan commission report we have. We see it as we try to help the situation in a place like Grenada, where they have not had any police force to maintain law and order. We have left some MP-type people there, and the surrounding countries have a force there. In the meantime, there is effort underway to train people. We try to do that but we can't take part ourselves. It is the same in Lebanon. There is a tendency to throw the baby out with the bath water, getting back to what you cited about the rationale.

Senator RUDMAN. It seems to me, after having talked to various people in the Department, that this is an impediment to what would be very legitimate training in a legitimate area. In the sense it doesn't appear to be moving very quickly, I intend to offer some appropriate vehicle, a very carefully drawn amendment, that would define what can be done to try to prevent the kinds of problems that the legislative history in 1974 anticipated. I think it is something that really is, frankly, asinine that some of these very important places in the world we can't have some of the technology and some of the expertise that we have present in both our civilian police, in the FBI, in our security service, in some portions of the antiterrorist activities of our Armed Forces, imparted to these people for the purpose of helping protect embassies of the United States. I assume if this amendment is properly drawn I will have the Department's support?

Secretary SHULTZ. To the extent we can, we will look at it.

Senator RUDMAN. I will submit it to your legal staff.

Thank you.

Senator LAXALT. Senator DeConcini.

EMBASSY RESIDENCE IN CAIRO

Senator DECONCINI. Thank you very much.

Mr. Secretary, let me be one Senator to express his support for the administration's diplomatic recognition of the Vatican. I think it is the proper thing to do.

Mr. Secretary, in May 1977—this deals with the Embassy in Cairo—the Congress approved $2,275,000 to construct an embassy residence in Cairo. The construction began in June 1979. The staff members from this subcommittee visited in early January and reported that $3,558,000 has already been spent on this project and that the estimates are that $130,000 is still required to finish it. They also state that the interior of the house was completely torn up because of pipes that had to be replaced, poor installation by the contractor, they were told that the FBO person assigned to this project allowed the walls to be plastered before the pipes were pressure tested. There is no more an outspoken critic than our present Ambassador who refers to it as a palace on the Nile.

Mr. Secretary, can you give us some information on the record how this project got to be $3,558,000 or $1,283,000 over the original estimate without the reprograming request being submitted to Congress?

Secretary SHULTZ. First of all, Senator, if it were a palace on the Nile, at least it would be an operating palace. It is an aborted attempt to build a palace on the Nile. I don't think there is anything that you can say that is critical of this project that is critical enough.

MANAGEMENT CHANGE

Senator DECONCINI. What are you doing to fix it up?

Secretary SHULTZ. The answer to the reprograming, I don't know, and I will ask for that. I think it suggests that the organization running the construction business in the State Department needs to be shaken up. We are going to do that.

Senator DECONCINI. What are you doing?

Secretary SHULTZ. We are putting management in there. I will ask Ron to speak a little more about it. I almost hesitate to speak because I used to be in the construction business and if we ever had a job like this, there wouldn't be anybody left in the organization that had anything to do with it. It is a little harder to manage than the Government.

Mr. SPIERS. This project is a mess, there is no question about it. We can't explain why reprograming wasn't done, except that I am informed it was kind of piecemeal diversion of funds over a long period of time. We have asked our Inspector General to look into this and to give us a full report. We had a change in format.

Senator DECONCINI. When?

Mr. SPIERS. We have had a change in management all through this area, including a new director of foreign buildings who is sitting beyond. We are just hoping you don't find any others.

Senator DECONCINI. Mr. Secretary, I don't want to belabor this, I know you have many things you are doing.

It seems historically—I have only been here for 7 years—and what happens is when these things arise, there is some kind of flimsy excuse for no reprograming, and that bothers us, and rightly so. Second, there is always the excuse that you are taking corrective measures and you placed a new team and things will be better, and 2 or 3 years down the road another tremendous pitfall occurs and then we have a new team and some adjustments.

It seems to me there is really need for some management skills to be applied here, Mr. Secretary, and the area of industry that you came from certainly has those types of skills available. And I would just hope that through your leadership we will see some type of good management of this part of the Department. I think it is a disgrace not only in a foreign country but really a disgrace to the taxpayers to see this kind of executive expenditure when there is little tolerance already in the air of expending for embassies overseas.

Secretary SHULTZ. I think this is good advice, Senator, at least reflecting what may be the current thinking in FBO. My own experience is that there is a great tendency to skimp on management and say that we need people to swing the hammers, but the job will somehow manage itself. It won't. People think that they are going to save money by not having an explicit management team on the job, whereas it really costs a bundle not to be on top of this. It is money well spent to put on a first-class general manager—project manager we used to call them—somebody that is responsible for everything.

Senator DECONCINI. Leave him there.

Secretary SHULTZ. Leave him there. In the end you save yourself a bundle.

Senator DECONCINI. Mr. Shultz, I have a lot of questions on the matter.

I would like to go on to another area, Mr. Chairman, then I have a number of questions I will submit.

FOREIGN ASSISTANCE PROGRAMS

Mr. Secretary, you have stated that two commissions tasked with examining our foreign aid programs have concluded that current levels of foreign aid are inadequate. It is my recollection that this was not the philosophy of the Reagan administration when it first took office. Most areas of Federal spending are either being cut and/or efforts are being made to insure that the money they receive is being spent wisely.

How does the administration respond to this call for increased U.S. expenditures for foreign nations while it is cutting the money it spends on American domestic needs? I am particularly trying to resolve in my own mind the bipartisan commission recommendation and the administration's Jackson plan that is coming to us piecemeal. How do we resolve this deficit crisis you have and the problems of some very good social programs that are being cut at the same time?

Secretary SHULTZ. The money we spend for foreign aid is not simply something that benefits some other country; the main standard for aid is whether it benefits the United States. We need to so arrange the places that we give support to, and to relate the mixture of economic and security assistance to the need for political reform in such a way as to advance our interests as we see them. If you look at the Jackson plan for Central America and hear what the administration has submitted, it is an effort really to serve, capture in statutory form, the recommendations of the bipartisan commission. I think that the bipartisan commission, which started with people of very different persuasions, wound up with a reasonable consensus on all the key questions. The question of what happens in that region is of vital importance to the interest of the United States. If it falls apart and falls into very unfriendly hands, the conclusion will be very bad for us. I think that is the central point.

Senator DECONCINI. Mr. Secretary, then you raise that interest of the United States to the same plane as you do aid to education, medicare recipient benefits, food stamp programs, or highway construction or university construction? Is that what you are saying, we have to put that in the same category and equate that interest in the United States just as we would something that is physically identifiable as an interest or philosophically identifiable as an interest?

Secretary SHULTZ. Undoubtedly we have to start with what is going to be to the benefit of our citizens. There are all kinds of things which benefit them. Then we have to say to ourselves: Here we are, we in the Federal Government, there are lots of other governments—State and local governments—and there are philosophies of life in this country. We think a lot of tasks are being done by the marketplace and private enterprise in one place or another. We have to ask ourselves: What is the special role of the Federal Government? What does it compare to? What is it responsible for that none of these other organizations can cope with at all? It seems to me we ought to put at the top of our list the security and defense of the country. Just as we struggle with the defense budget and the various things we think are needed there, we have to struggle with conditions abroad as they affect our security. I think it is a prime responsibility of the Federal Government to do that, and I don't say this in any denigration of the need for medical facilities or highways and all the things you stated.

Senator DECONCINI. Are you saying that this area of foreign assistance should be No. 1? The area of, say, education or health benefits, though may be important, should be looked to see if they can be financed somewhere else, but certainly not in comparison with what we should spend for our own self interest in foreign assistance? Is that a fair statement?

Secretary SHULTZ. I don't want to get in a position of saying that education—particularly when I have spent most of my life in the field of education—is a secondary matter, because it isn't. It's got to be put at the top of your list. But it directly serves as an open opportunity for people in our country. I don't want to get involved in any kind of order of that kind. At the same time, it has always seemed to me that responsibility for primary education should be as close to the scene of education as possible. It is essentially a local responsibility, a parental responsibility, and to the extent it is that way, it is probably going to be better conducted. But there is very little that the town you live in or I live in can do about the basic defense of the country, that is something that the Federal Government addresses itself to.

Senator DECONCINI. It is a matter of philosophy, and maybe we should do all of those things. I won't put you on a spot saying education is second. What you are saying is that the Federal Government can only do this and, therefore, secondary or college education should take care of someplace else and if you have to make the choices you need to go to the Federal Government is primarily responsible for which is more Federal assistance of foreign countries because it is in our self-interest. It is a philosophical dilemma that many of us find ourselves in when the administration cuts education by 20 percent, increases foreign assistance by 20 percent more, you draw some conclusion that may be unfair but this is the only way that this Senator can realize what is happening and I wish they would moderate both of those efforts. Don't cut education and only take a slight increase in foreign assistance and maybe you can rationalize and pull that off a little better. Thank you.

Senator LAXALT. Senator Bumpers.

EL SALVADOR ELECTION

Senator BUMPERS. There is a lot of talk, Mr. Secretary, about the possibility of Duarte winning the election and that there might be a military coup to overthrow him. Would you support language to the appropriations bill to El Salvador that would stop all aid in the case of a military coup against a duly elected official like that?

Secretary SHULTZ. No, sir. I think it is inappropriate to seem to be predicting that possibility. The military in El Salvador have been very protective and worked very hard to secure this election. They have gone to great steps to kind of depoliticize themselves. The military coup rumor—I think that is questionable myself. Their action represents an effort on the part of the military to, in effect, say that they support the result, whatever it is. I don't think there is any evidence of anything else, and I think it could be kind of counterproductive.

Senator BUMPERS. You wouldn't want to comment what your position would be in the event such a thing happened?

Secretary SHULTZ. I would feel very strongly that the electoral process should determine who is going to be the president of El Salvador. Whatever the outcome of that process is, then we should work with it.

Senator BUMPERS. That is our whole goal, to establish democratic institutions?

Secretary SHULTZ. That is one of our goals. If we can do that, we are going to have a better chance to follow on something.

POLICY ON SALT II

Senator BUMPERS. Going to an unrelated subject, what is our official policy now regarding SALT II?

Secretary SHULTZ. Our official policy is that we undertake to live by the provisions of SALT II in a general way and we expect the Soviet Union to do likewise. When we observe behavior to the contrary, we report it. We have been critical of some of the things they have done which seem to be violations.

Senator BUMPERS. In September 1985 we will launch our seventh Trident submarine, and this will put us over the 1,200 MIRVed missile limit of SALT II. The Soviets have been under the 1,200 and 820 limits, they have been for many years, although they have the capability of going well above them. This seventh Trident sub would put us above the SALT II constraint of 1,200 MIRVed missiles.

Do you have any idea what our position will be at that time? Will we dismantle a sufficient number of MIRVed missiles to stay within the 1,200 limit?

Secretary SHULTZ. I don't want to say precisely what we will do. I do think that the SALT II provisions have time limitations; it is not forever, and that is as true for us as it is for them.

Let me answer that question for the record because I am not prepared to address that particular issue.

[CLERK'S NOTE: The question and answer appear at the conclusion of the testimony under Submitted Questions.]

Senator BUMPERS. It is not your position right now that even though the expiration date of the SALT II agreement might occur, that we would necessarily discontinue abiding by it, is it?

Secretary SHULTZ. Not necessarily. But I think the treaty does have a time dimension on it. And one of the things that you can learn by studying Soviet behavior with respect to treaties, leaving aside the question of violation or nonviolation, is that they press these agreements to the limit. They have managed to negotiate language which in a technical sense could be pointed to as a justification or a permission to do something or other which would not be in the spirit of the treaty. We know very well their approach to these things is to push the treaty obligation to the limit. Furthermore, we know that one of our problems is that we don't always take advantage of things that are permitted. For example, in the ABM system, we are permitted to have one deployed; they have one, we don't.

Back to your question about the construction business and the engineering business, we know very well when you are new in the field the way you learn is by doing something and then figure out how to do it better. You can't produce something in the first cut, that is another thing.

Senator BUMPERS. In all fairness, Mr. Secretary, we dismantled our ABM system because we knew it wasn't going to work after we spent $6 billion. It wasn't all that altruistic on our part not to have an ABM system.

Secretary SHULTZ. I didn't say it was altruistic. I think it is something that happened and the fact of the matter is that they are continuing to have that system deployed, continuing to experiment with it, continuing to learn about it. We dismantled ours. It is perfectly permitted within the treaty.

FORCES IN GRENADA

Senator BUMPERS. How many troops do we have left in Grenada and when do you expect them to be out?

Secretary SHULTZ. We don't have any combat troops there at all. They were all withdrawn sometime around the middle of December—I don't remember the exact date. The forces that remain there essentially have military police type duties. We supplement the forces from the other Caribbean islands and they are awaiting the emergence of trained agents to perform those duties.

Senator BUMPERS. When do you think that will happen? How many support forces do we have there? When will they be out?

Secretary SHULTZ. The number is very small—200 to 300, something like that. I will give you the number for the record. When they will be out, I hesitate to give a time but as I recall the training school, which is located in Barbados, to which Grenadians have been sent, it seems to me it takes about a year to cycle people through. They have a stream of classes going through there and more and more Grenadians will be coming on stream.

[CLERK'S NOTE: The above question by Senator Bumpers will be answered for the record at the conclusion of the testimony.]

SITUATION IN NICARAGUA

Senator BUMPERS. We have several allies who are still providing some economic assistance in Nicaragua. Has the Department, through this administration, put pressure on any of those people to cease and desist in Nicaragua?

Secretary SHULTZ. I don't know how you would define the word "pressure," but we call to people's attention what the facts are. And I think that more and more people around the world, our friends, have been seeing the way to meet it.

QUESTION OF AMBASSADOR TO MECCA

Senator BUMPERS. The final question. If the Moslem world asked us to send an ambassador to Mecca, would you favor that?

Secretary SHULTZ. I think it is unlikely.

Senator BUMPERS. Thank you, Mr. Chairman.

Senator LAXALT. Thank you, Senator.

Senator Specter.

AMERICAN BUSINESS ABROAD

Senator SPECTER. Thank you, Mr. Chairman.

Mr. Secretary, your statement about additional political and economic representatives and additional funding for political and economic reports and analysis, I think is a very good one and I in part support it. I had occasion to visit the People's Republic of China and found that our State Department representation to Shanghai, for example, is very much in need of assistance. There are enormous markets, estimates of as much as $20 billion that the People's Republic of China has avail-able for spending. This would be an enormous opportunity for U.S. goods, much of which come from a State like Pennsylvania.

Do you anticipate that expansion in that line would be directly applied to exploring those market opportunities for American-made goods?

Secretary SHULTZ. Yes, sir. I think one of the important duties of our missions abroad is to support and try to help develop funds for American business abroad. It is one of the key things they should do. That was the subject of the first all-posts message that I sent out after becoming Secretary—Ron received it when he was in Pakistan.

QUESTION OF CONSULATE IN KIEV

Senator SPECTER. We discussed last year, Mr. Secretary, the issue of a consulate in Kiev, and I had written to you about that subject. I had the opportunity to visit in Kiev, and it is a very important issue on the question of Soviet Jewry. I found that most folks were willing to meet in small groups in homes, but in Kiev the atmosphere was much worse. I met with some on street corners and others individually, and that consulate at Kiev would be a big step forward.

Is there any progress on that or any realistic expectation that is achievable in the near future?

Secretary SHULTZ. I agree with your comment that it would be advantageous to have a consulate in Kiev. The subject of paired opening of consulates by the Soviets in New York and the United States in Kiev has been around for quite a while and it is something that I have personally had some discussions about. Without going into the details of it here, I can assure you that it is something we are reviewing and discussing. Your own thoughts and suggestions on this have been very much in mind and were brought to the President's attention.

STATUS OF JEWISH EMIGRATION FROM THE SOVIET UNION

Senator SPECTER. You have reported with frequency about the administration's efforts on the issue of Soviet Jewry, and notwithstanding those efforts, the picture has been bleak. Do you think there is any realistic likelihood at all on any significant improvement there until there is overall improvement in U.S.S.R.-U.S. relationships?

Secretary SHULTZ. I think we have to maintain a posture of determination to keep working, talking, and doing everything we can to make Jewish emigration from the Soviet Union more possible, and other emigration, too, for that matter.

What will help bring that about is hard to say. I think that historical evidence suggests that when our relationships are on a more cordial basis there tends to be a greater flow, but I don't think we can be confident that that is the main reason.

SUMMIT ISSUE

Senator SPECTER. There is tremendous interest in the summit issue. You and I discussed that privately, we had two sentences in the Senate resolution in 1982 and 1983 urging that. Is there any prospect of such a meeting between Reagan and the Soviet leadership?

Secretary SHULTZ. It is always possible, of course. But one thing that both heads of state agree upon is that the Summit must be well prepared to have some chance of achieving something significant.

Senator SPECTER. The President is ready for a Summit on those conditions?

Secretary SHULTZ. On those conditions, he has stated that many times. I think he suggested it when Mr. Brezhnev was scheduled to come to the UN in New York. There hasn't been a Soviet leader, from a health standpoint, in a position to have a meeting. At any rate, the President is more than ready to meet if something significant can be accomplished as a result of a meeting.

EXECUTIVE-CONGRESSIONAL TENSION

Senator SPECTER. Mr. Secretary, there is one final subject I would like to discuss with you briefly. It comes out of a comment that you made before that I totally agree with, and that is that the disagreements or tension between executive and congressional sides on important questions of declaration of wars or the War Powers Act ought to be decided in a context where we do not run the risk of impeding any specific operation or any ongoing matter, that they ought not be in a confrontational sense and the ultimate power of the Congress in this issue was the power to withhold funds which is a very very tough thing to do given some military action or some ongoing process which the executive branch is doing where the Congress may disagree on the ground that the Executive is really waging war without a formal declaration of war.

There have been some discussions with Senate leadership and some top officials at the White House about trying to formulate a test case which would go to the Supreme Court of the United States which would decide this question in a nonconfrontational context. If the matter were to be put to the court where Congress ought to withhold funds, the court would not be in a position to rule for a very protracted period of time and it makes the congressional response really highly dangerous and the problem that we have found in exploring that subject is the case in controversy issue, and this is high-power legal concept as to whether the court would take. My own sense is that if there were submissions by the executive legislature on the subject of this sort, that there might be willingness on the part of the court to not apply the case in controversy constitution standard with the vigor that in some other content when some taxpayer wants to stop you from using tax funds in Beirut.

Would you favor such an effort to have a resolution of, say, the War Powers Act, on constitutional grounds in a nonconfrontational setting, if it is a matter of legal principle?

Secretary SHULTZ. Well, I suppose the answer is yes, although I can view it differently because I am way out of depth in understanding all the ins and outs of how the court properly looks at something of that kind and whether, under those circumstances, it is good to confront the court with something from the executive and legislative branches. I just don't know about that. I can readily see that there is a great deal of sense to the idea of not making decisions in the abstract as a matter of law and wanting to have something concrete to go by. But basically on the question of submission to the court, I would like to study it carefully and probably in the end would defer to the legal minds.

Senator SPECTER. Mr. Secretary, I would suggest to you, if we could pursue it later, that your perspectives would be a lot more meaningful than the technical meanings that the lawyers supply, whether we sit in committee rooms or whether we sit on the Supreme Court of the United States. These legal principles have a wide variety of application and there is a very big issue here about the War Powers Act and the President's power and the congressional power on the one place you can't test it and when there is a war going on as to whether it is being legally conducted or whether the Congress ought to cut off the funds. I think we ought to resolve those issues. We ought to get the court to break the impasse.

Secretary SHULTZ. It seems to me that if you say the President is Commander-in-Chief, and then you have a piece of legislation that says he can be put into a position by the Congress in which if the Congress does nothing, he must move forces within some period of days—like 30 days, for example—how can you say he is the Commander-in-Chief under those circumstances? It seems those concepts are just at odds. I am sure there are important Constitutional issues involved. But I believe, more than that, there are sort of commonsense, "How do we manage our foreign policy" issues involved that are not essentially legal. There are things on which we should come together, and there is also the executive versus Congress dimension here. I am in favor of tension in the system. I think the system was designed to produce tension and the opportunity for criticism, so that very large decisions don't get taken just because somebody decided to do it. That is the essence of democracy.

At the same time, there has to be a capacity for decisiveness under certain circumstances, and there has to be an ability to go along without being constantly undercut or surrounded by so many conditions you don't have much room for maneuvering.

I have examined the recent experiences and they leave a lot to be desired procedurally. I guess what I am saying, in addition to whatever may be advisable in seeking the views of the court, is that there is a lot of room for perhaps some public hearing and private discussions between Members of the Congress and the executive branch on this issue. It is a deep, difficult issue and I don't claim that I have the answers, but I know there are some important questions here.

Senator SPECTER. Let us pursue it beyond the hearing room. Thank you.

ANTICIPATED BUDGET MEASURES

Senator LAXALT. We have several other areas we might get into but we have the USIA waiting as well, Mr. Secretary. We will submit questions to you. We would like you to also condition yourselves to the possibility of passage of a bipartisan downpayment deficit reduction package which would freeze the total budget for nondefense discretionary appropriated accounts.

I would like to have your people assess what that would do in terms of your reordering your priorities at State or whether you can live with that. And I suspect I can anticipate your answer by looking at you. [Laughter.]

Secretary SHULTZ. I am for deficit reduction.

RECOMMENDATIONS OF GRACE COMMISSION

Senator LAXALT. But give that some thought.

Also, have your people had a chance yet to examine the Grace Commission recommendations?

Secretary SHULTZ. Yes.

Senator LAXALT. Including the State Department?

Secretary SHULTZ. Yes.

Senator LAXALT. Have you any comments about any particular recommendation?

Secretary SHULTZ. We have put some into effect, but some we don't think are practical.

Senator LAXALT. We would like the benefit of your thinking, if we may.

SUBMITTED QUESTIONS

I will address other questions on the Foreign buildings operations. We think that the Cairo thing is symptomatic of what may be an overall problem; how the records got over to Lorton, we would like to know whether or not procedures are being set up so we don't have a repeat of that, and where we are on UNESCO.

Those are some general areas that we would like to inquire about. Perhaps we can meet informally later concerning them. In the meantime, we will submit questions to you in writing and we would like to have responses as well.

Do any of my colleagues have any additional comments? If not, thank you, Mr. Secretary.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

QUESTIONS ON FY 1984 SUPPLEMENTALS

1. Q. You are requesting $4,197,000 and 49 positions to fund unanticipated increases in the passport workload. The issuance of passports is a service provided to the public and for which a fee is charged.

For FY 1983, 84, and 85, what do you estimate you will bring to the U.S. Treasury in passport fees?

A. It is estimated that passport fee receipts will total $117 million in FY 1983, $167 million in FY 1984 and $180 million in FY 1985.

Q. Do the fees go to the Department or directly to Treasury?

A. Passport fees collected go directly to the U.S. Treasury.

Q. What are the total estimated costs of issuing passports by the Department in Fiscal Year 1983, 84, 85? Please provide details on what costs are included in this figure.

A. The total estimated costs are: FY 1983, $147 million; FY 1984, $178 million; and FY 1985, $209 million.

The cost covers direct and indirect costs to the Government of carrying out passport issuance and related activities including salaries, employee leave, travel expenses, rent, postage, maintenance and operation of buildings and equipment, and personnel costs other than direct salaries (e.g., retirement and employee insurance).

CONSULAR AFFAIRS

QUESTION:

The FY 1984 Supplemental includes a request of $4,197,000 to handle cumulative unanticipated increases in passport workload levels from FY 1982 and FY 1983. How can previous year increases, particularly dating back to FY 1982, be unanticipated?

ANSWER:

The passport workload levels experienced in FY 1982 and 1983 were unanticipated at the time the Department's budgets for these years were transmitted to the Congress. The unbudgeted increases in passport workload for these two years is over 800,000 passport issuances. The resources needed to process these 800,000 passport issuances had to be reprogrammed from other priority activities in order to ensure that the passport issuance system did not collapse in FY 1982 and 1983.

The Department cannot continue to under fund other activities to support the processing of these 800,000 passport issuances and, as such, requests that the level of resources to process the passport workload be placed on a regular basis. Since the passport workload for FY 1984 is expected to exceed that planned for in the FY 1984 budget, we are requesting additional resources to cover this increase as well.

The passport workload has and is expected to continue to increase for the next few years. Thus, any unbudgeted increases in the passport workload for any year will carry forward to the following year with a resulting cumulative shortfall in resources. The FY 1984 supplemental for passport workload is our attempt to resolve this problem and put the funding for processing the passport workload on a regular basis.

COCOM EXPANSION

Q: Why is the COCOM expansion work ($150,000 Salaries and Expenses, $1,620,000 for FBO) so urgent that it requires a Supplemental and cannot wait until the regular FY 1985 Bill? (Note: decision to expand and modernize made in April 1983)

A: During the High Level Meeting of COCOM in April 1983, the U.S. pledged to the other COCOM members that it would renovate COCOM's facilities as the first step in the complete modernization of COCOM itself to strengthen, expand, and develop it to enable it to successfully cope with its responsibilities. For example, the U.S. seeks to update the COCOM lists, enhance members enforcement activities, harmonize each member's licensing practices, and eventually expand its memebership. Until COCOM's offices are made big enough and facilities improved, all other aspects of the modernization will be hampered.

The Department of Defense project for equipment modernization and computerization as well as system operating personnel depends on the completion of the renovation and expansion of the COCOM facilities first. They have $2 million currently available in FY 1984 for this project.

Also, the building in which COCOM is located, Annex D, of the American Embassy in Paris is about to undergo substantial renovations. FBO intends to forge ahead with these other planned renovations with or without the inclusion of COCOM's space. If all renovations to Annex D are to be done in a timely and cost effective fashion, they must be all done together. Delaying funding for COCOM's renovations will only serve to make the eventual renovations more difficult to undertake and far more costly to achieve.

CONFERENCE ON SECURITY AND COOPERATION IN EUROPE

QUESTION:

Regarding the Disarmament Conference Supplemental, how much was in the Department's base for the CSCE conference in Madrid in FY 1983? FY 1984? Your justification says the Conference requires an office location in the Department to be fully furnished and equipped. Why can't the Department use the CSCE conference equipment?

ANSWER:

The amount in the Department's base for the Conference on Security and Cooperation in Europe (CSCE) for FY 1983 and FY 1984 is, $375,000 and $399,000 respectively.

The Department has agreed to absorb within the ICC appropriation the U.S.'s assessed portion of conference support costs, reimbursed to the host country, for CDE which total $630,000 for FY 1984. Funds within the ICC's FY 1984 appropriation base for CSCE will be applied towards the CDE conference costs and, as such, are not part of the CDE supplemental request which covers direct salaries and expenses.

Because no offices were established to support the CSCE conference, there is no equipment specifically associated with CSCE to support CDE. Thus, there is a requirement to establish, furnish and equip offices to support CDE within the Department.

Reporting and Analysis

QUESTION:

Please prioritize your reporting and analysis supplemental request? On February 8, 1984, in the Washington Post's Federal Page, there was a report of so-called "floor walkers". According to the paper 60 to 70 Senior Foreign Service Officers are without assignments. Why can't these positions be used to cover part of your reporting and analysis request? You request funds to provide overseas tours of approximately two years for five new Civil Service INR analysts. If overseas experience is essential, why aren't these spots simply filled by Foreign Service personnel?

ANSWER:

-- The 135 reporting and analysis positions among the 146 position supplemental request are ranked in five categories. While positions within each bureau request are listed in priority order, no comparative bureau-to-bureau priorities have been established within the five categories. Positions which are asterisked (*) in Category I have already been established due to the urgency of the requirements. We seek replenishment of those resources. The 11 positions requested for international telecommunications are not included in this presentation.

Category I	31 positions
Category II	36 positions
Category III	28 positions
Category IV	19 positions
Category V	21 positions
TOTAL	135 positions

CATEGORY I - 31 positions

Bureau of Intelligence and Research (INR) - 2

1. Nuclear Analyst (PMA)
2. Soviet Political/Military Doctrine Analysts (SEE)

Bureau of Economic and Business Affairs (EB) - 2

3. Maritime/Land Transport Officer
* 4. East/West Trade Officer

Bureau of European and Canadian Affairs (EUR) - 7

5. Netherlands, Hague - Political/Military Officer

6. United Kingdom, London - Economic Officer
7. Switzerland, Bern - Economic Officer
8. Belgium, Brussels - Political Secretary
9. EUR/NE - Political Officer
10. France, Paris - Political/Military Officer
11. Greece, Athens - Political Secretary

Bureau of Inter-American Affairs (ARA) - 2

12. Haiti, Port au Prince - Political Officer
13. Bolivia, La Paz - Economic Officer

Bureau of East Asian and Pacific Affairs (EAP) - 9

* 14. EAP/J - Economic Officer
15. Thailand, Bangkok - Political Officer
16. EAP/ANZ - Political Secretary
17. Fiji, Suva - Political Officer
18. Indonesia, Jakarta - Political Officer
19. EAP/ANZ - Political Officer
20. Japan, Tokyo - Economic Officer
21. Hong Kong - Political Assistant
22. China, Beijing - Economic Officer

Bureau of African Affairs (AF) - 5

* 23. Mozambique, Maputo - Ambassador
24. Togo, Lome - DCM Secretary
* 25. Chad, N'Djamena - Political Officer
26. Sudan, Khartoum - Political Secretary
27. Uganda, Kampala - Economic Officer

Bureau of Near Eastern and South Asian Affairs (NEA) - 4

28. Egypt, Alexandria - Economic Officer
* 29. Egypt, Cairo - Political Secretary
* 30. Lebanon, Beirut - Economic Officer
* 31. Lebanon, Beirut - Political Officer

CATEGORY II - 36 positions

Bureau of Intelligence and Research (INR) - 10

1. Military/Space Analyst (PMA)
2. Mideat Analyst (NESA)
3. Mideast Economic Analyst (EC)
4. Soviet Nationalities Analyst (SEE)
5. Korean Affairs Analyst (EAP)
6. East Asian Economic Analyst (EC)
7. African Regional Analyst (LAR)
8. Mideast Political Division Chief (NESA)
9. Latin American Economic Analyst (EC)
10. South American Political Analyst (IAA)

Bureau of Economic and Business Affairs - 1

11. EB/OMA Economic Officer

Bureau of Oceans, Environment and Scientific Affairs (OES) - 1

12. OES/SAT International Relations Officer

Bureau of European and Canadian Affairs (EUR) - 9

13. Poland, Poznan - Political Secretary/Communicator

14. EUR/EEY - Political Officer
15. Ireland, Dublin - Political Secretary
16. EUR/RPM - Political Officer
17. Germany, Hamburg - Political Officer
18. Germany, Munich - Political Officer
19. Spain, Madrid - Economic Assistant
20. Yugoslavia, Belgrade - Economic Officer
21. Turkey, Ankara - Political Assistant

Bureau of Inter-American Affairs (ARA) - 2

22. Argentina, Buenos Aires - Economic Officer
23. Belize, Belize City - FSN Secretary

Bureau of East Asian and Pacific Affairs (EAP) - 4

24. Thailand, Bangkok - Political Officer
25. Japan, Tokyo - Economic Officer
26. Australia, Canberra - Political Officer
27. EA/IMBS - Economic Officer

Bureau of African Affairs (AF) - 4

28. Ethiopia, Addis Ababa - Political/Economic Officer
29. Liberia, Monrovia - Economic Assistant
30. Kenya, Nairobi - Economic Assistant
31. South Africa, Pretoria - Political Secretary

Bureau of Near Eastern and South Asian Affairs (NEA) - 5

32. Bangladesh, Dhaka - Economic Officer
33. Oman, Muscat - Political/Military Officer
34. Lebanon, Beirut - Political/Military Officer
35. Lebanon, Beirut - Political Secretary
36. NEA/RA - Political Secretary

CATEGORY III - 28 positions

Bureau of Intelligence and Research (INR) - 8

1. North Korean Political Analyst (EAP)
2. Cuban Political Analyst (IAA)
3. Mideast Political Trends Analyst (LAR)
4. South African Political Analyst (AA)
5. Theater Arms Analyst (PMA)
6. West European Political/Economic Analyst (WEA)
7. European Community Affairs Analyst (EC)
8. Nigerian Political Analyst (AA)

Bureau of European and Canadian Affairs (EUR) 5

9. Turkey, Izmir - Political/Economic Assistant
10. Hungary, Budapest - Political Officer
11. Poland, Krakow - Political Secretary
12. EUR/RPE - Political Officer
13. U.S.S.R., Moscow - Economic Secretary

Bureau of Inter-American Affairs (ARA) - 2

14. Brazil, Brasilia - Science and Technology Officer
15. Cuba, Havana - Political/Economic Officer

Bureau of East Asian and Pacific Affairs (EAP) - 4

16. Thailand, Bangkok - Staff Assistant

17. Fiji, Suva - Political Secretary
18. China, Beijing - Assistant Science Officer
19. Japan, Tokyo - Economic Secretary

Bureau of African Affairs (AF) - 4

20. AF/S - Political Officer
21. AF/S - Political Secretary
22. AF/W - Political Officer
23. AF/W - Political Secretary

Bureau of Near Eastern and South Asian Affairs (NEA) - 5

24. NEA/MFO - Political Secretary
25. Bahrain, Manama - Political/Military Officer
26. Algeria, Algiers - Political Officer
27. Jordan, Amman - Economic Secretary
28. Morocco, Rabat - Political/Military Officer

CATEGORY IV - 19 positions

Bureau of Intelligence and Research (INR) - 5

1. Greece/Cyprus Political Analyst (WEA)
2. Political/Military Trends Analyst (LAR)
3. East European Economic Analyst (EC)
4. Nuclear Weapons Testing (GIS)
5. Political Military Research Assistant (PMA)

Bureau of European and Canadian Affairs (EUR) - 2

6. Belgium, Brussels - Political/Labor Assistant
7. Spain, Madrid - Political/Military Officer

Bureau of Inter-American Affairs (ARA) - 2

8. Brazil, Rio de Janiero - Political Assistant
9. Belize, Belize City - Economic Officer

Bureau of East Asian and Pacific Affairs (EAP) - 5

10. Burma, Rangoon - Political Officer
11. China, Shenyang - Political Officer
12. Papua New Guinea, Port Moresby - Political Officer
13. China, Beijing - Political/Military Officer
14. EA/J - Economic Secretary

Bureau of African Affairs (AF) - 3

15. Nigeria, Enugu - Principal Officer
16. Mauritania, Nouakchoutt - Political Secretary
17. Madagascar, Antananarivo - Political Secretary

Bureau of Near Eastern and South Asian Affairs (NEA) - 2

18. Pakistan, Islamabad - Economic Officer
19. India, Calcutta - Political Officer

CATEGORY V - 21 positions

Bureau of Intelligence and Research (INR) - 5

1. Special Analyst ARA (IC)
2. Special Analyst EUR (IC)

3. Special Analyst NEA (IC)
4. Special Analyst EAP (IC)
5. Special Analyst AF (IC)

Bureau of European and Canadian Afairs (EUR) - 2

6. Turkey, Ankara - Political Officer
7. U.S.S.R, Moscow - Science Officer

Bureau of Inter-American Affairs (ARA) - 1

8. Argentina, Buenos Aires - Political/Economic Officer

Bureau of East Asian and Pacific Affairs (EAP) - 2

9. Singapore, Singapore - Political/Economic Officer
10. Indonesia, Jakarta - Science Officer

Bureau of African Affairs (AF) - 5

11. Zaire, Kinshasa - Economic Officer
12. Mozambique, Maputo - Political Secretary
13. Mozambique, Maputo - Political Officer
14. Liberia, Monrovia - Economic Officer
15. Sudan, Khartoum - Political/Economic Officer

Bureau of Middle Eastern and South Asian Affairs (NEA) - 6

16. Tunisia, Tunis - Economic Officer
17. Jordan, Amman - Political Officer
18. India, New Delhi - Political Officer
19. Sri Lanka, Colombo - Political Officer
20. Nepal, Kathmandu - Economic Officer
21. Jerusalem - Political/Economic Officer

-- While there are some Senior Foreign Service Officers who are in overcomplement status awaiting assignment, they are not "walking the floors." They are essentially in a short term (generally less than six months) transition status. During these periods, overcomplement officers serve as examiners for the Board of Examiners, evaluate post reporting, supplement our USUN staff at the United Nations General Assembly, fill in for officers on leave and undertake special short-term projects. These officers do not constitute an alternative source to satisfy the needs reflected in our reporting and analysis request.

-- INR has maintained a mix of Civil Service and Foreign Service analysts. We feel this mix is very important to the high quality of our products, as it provides continuity through the Civil Service analyst and new insights, experience and knowledge through the two year rotational assignments of Foreign Service officers and analysts. Civil Service analysts need to develop, enhance and refine their in depth knowledge of their areas of responsibility. Assigning analysts, early in their careers, to their areas of responsibility will greatly enhance their ability to understand all aspects of the local scene, to refine their language skills, to meet and know key players and to have first hand knowledge of embassy operations in the country. Other elements of the Intelligence Community have been actively pursing such a program for several years and the results have been most rewarding.

Reporting and Analysis

QUESTION:

You stress that the Department's top funding priority is for additional reporting and analysis positions. You make a clear case that these resources are really needed. What lower priority accounts do you plan to tap to help meet these pressing needs? If none, are you saying that the reporting and analysis enhancement is a lower priority than everything you are currently doing?

ANSWER:

It is not possible to meet these needs through additional internal reprogramming. As a result of successive programs of position reductions (we reduced 1200 positions over a 15 month period between 1981 and 1982), a decade of having to meet other urgent requirements and despite favorable action on two earlier reporting program still does not provide sufficient resources to meet State's growing and changing demands. Some three dozen reporting and analysis requirements have been provided over the last 18 months through internal reprogramming. In the process of meeting these unbudgeted requirements, we have already cut into core positions. If we are forced to do more reprogramming, it will have to be on the basis of relative priority among essential needs.

SUMMER OLYMPICS FUNDING

QUESTION: Why did the Department so badly underestimate its needs for the Summer Olympics in Los Angeles? Does the Department's total misreading of the situation reflect on the level of planning and preparation for the events? If the Supplemental does not pass until late June, or conceivably in September, how will that impact on your efforts?

ANSWER: We did not have an appreciation of the extent to which we would be asked to participate in the Summer Olympics. Our estimates were based on our experience with previous international sporting events, such as the 1980 Winter Olympics at Lake Placid where no high ranking foreign dignitaries visited. We now understand more clearly that the Office of Security will be asked to protect 15 to 20 dignitaries during the 16 day period of the Summer Olympics.

In addition, at the time the Department's FY 1984 request was prepared we simply did not anticipate 1) the intensity of the security threat in Los Angeles during the summer of 1984 against the participants and foreign officials and 2) the event sites and hotels for the Games would be so dispersed in a manner requiring additional protective resources, such as vehicles, helicopters, personnel, etc.

Our base is currently absorbing increased expenses associated with the expanded overall demand for protection for the Secretary of State and foreign officials. The request for additional funds for the protection of foreign officials attending the Summer Olympics will permit us to meet the resource requirements of this one-time, large scale event. As long as we receive the supplemental appropriation by the end of the fiscal year we will be able to support our protective obligations at the Summer Olympics.

Increase in Positions

QUESTION:

With the requested increase in positions for Reporting and Analysis and other areas, what is the total increase expected in the number of Americans serving overseas? In view of the increased safety and security considerations for overseas posts, do you believe it is appropriate to be requesting such a significant increase in the number of Americans to be sent abroad?

ANSWER:

The 1983 estimate of the number of Department of State Americans serving overseas is 4,158. With the requested increase for Reporting and Analysis and other areas, the 1984 estimate is 4,277. Our 1985 request contains 106 overseas positions for a total of 4,383.

Our decision as to the number and types of positions requested was made with full appreciation of the increasing threat to official Americans and their families abroad. The work done by our Foreign Service abroad is essential to U.S. national security. If we cannot work abroad, our effort to improve reporting and analysis will come to nothing. We believe that the fundamental cure for much of the terrorist threat to our people is in the settlement of the underlying issues. Until we can help achieve such settlements, we must be prepared to live in this dangerous environment.

9. Q: In addition to these direct hire positions, how many additional positions are provided under service contracts such as security, custodial, and maintenance personnel? What is the total value of these contracts and who generally administers these contracts at overseas posts? Do these positions count against the Department's personnel ceilings? How is the decision made as to whether personnel will be employed on a service contract versus a direct hire?

A: Foreign Service posts regularly enter into contracts to obtain administrative support services. The current number of work years we obtain under contract and their cost are impossible to pin down as our accounting system does not isolate service contracts from other contractual arrangements such as those for supplies. Both kinds of contracts are administered by an American contracting officer.

Some years ago -- in 1980 -- the Department's

Inspectors undertook a special review of arrangements for contracting for services overseas. A special survey of posts which was made at that time indicated that the Department obtained about 10,000 work years under contract on a worldwide basis. The estimated cost of those work years was $42.9 million. At the same time, our Foreign Service National (FSN) workforce also numbered about 10,000 and FSN payroll costs were about $128 million.

Contract workers do not occupy positions and are not included in the Department's employment ceiling. The same is true in the United States. Contract workers such as maintenance, guards or janitorial personnel are not included in the employment ceilings of domestic agencies.

The Department is in the process of implementing a comparative cost analysis approach to contracting abroad. We have modified a cost analysis methodology in standard use domestically. This approach enables posts to determine the cost advantage of using direct hire employees as compared to contract workers. The methodology has been tested at several posts and will be implemented on a post-by-post basis by small teams of two or three people from the Department who will assist post personnel in the process. The areas that will be reviewed using the new approach include maintenance, guards, janitorial services and similar commercial-type contractable work.

Severance Pay

Question: How much was paid by the Department last year and how much is anticipated this year for severance pay for FSN's or foreign contract employees? Are there any cases (such as Korea) where such employees are terminated at year end, paid severance pay, and rehired after the first of the year, as an accommodation for the personnel ceiling?

Answer: The Department paid $2.968 million in FY 83 for FSN severance pay. At the current time the Department expects the total severance pay in FY 84 to be less than the amount paid in FY 83 because no massive retirements such as that in Rome last year are anticipated. If obligations continue at the same rate for the rest of the year total severance pay expenses will be $1.6 million. It is possible that large numbers of FSNs could retire due to a change from Civil Service Retirement or a change in income tax reporting policy (the cause of the retirements in Rome) at one of our foreign service posts. These variances from statistical average retirements are impossible to predict.

The Department has no policy of terminating FSNs, paying severance pay and rehiring under contract to avoid personnel ceilings. No reduction of personnel ceilings in FY 83 would have caused posts to resort to such a ruse.

In Korea some time ago some FSNs of the foreign affairs agencies requested retirement for economic reasons. They wished their severance pay to in a lump sum. They were rehired in regular positions under a program similar to that of the rehired annuitants program for foreign and civil service in order to maintain continuity and train replacements. No information available in the Dept. indicates that any of these individuals were brought back under contract.

It is possible that in some isolated incidents senior FSNs who chose to retire with little notification to the post because of a change in FSN retirement plans or some other motivation may have been brought back for a short time under contract to train their replacements. The Department is unaware of any instance where a post routinely terminated FSNs, paid them severance pay and then hired them back on contract.

U.S.- India Fund

QUESTION:

Will the Indian Government contribute to the new U.S.-India Fund?

ANSWER:

While this is a matter which has yet to be negotiated with the Indian Government, the informal discussions we have had so far give us every reason to believe that the Indian Government will contribute to the Fund. Indeed, cooperative programs carried out in the past through the use of excess rupees have received substantial support from the Indian Government and we anticipate that Indian Government support for such programs carried out under a binational Fund will continue and expand. We are also hopeful that private sources in both the United States and India will come forward with contributions to the Fund.

Funds Available Through FY 1986

Q. Please provide a breakdown of the $26,459,000 you are requesting to remain available until September 30, 1986.

A. The Department of State is now requesting $26,055,000 to remain available until September 30, 1986. This is a reestimation from the $26,459,000 that is included in the Presidents's Budget. These funds are composed of two parts:

The first is $2,000,000 that is required for the initial United States' contribution to a feasibility study of alternatives to the Panama Canal. This study will fulfill our obligation under the Panama Canal Treaty of 1977 that calls for a feasibility study of a sea level canal in Panama.

The second portion is $24,055,000 that will be used to survey the last 8 posts in the Security Enhancement program and continue the construction work and equipment installation for the 54 projects included in the program that are not yet completed.

Politico - Military Affairs

Q. Within Politico-Military Affairs, you request 45 domestic positions and $2,146,000 for Security Policy (pg. 5-12). What do these offices do that is different from the functions of the Arms Control and Disarmament Agency?

A. The Director of the Bureau of Politico-Military Affairs is the advisor to the Secretary of State on all national security issues with politico-military implications, not only arms control. The PM Director chairs all but one of the Interdepartmental Groups on arms control policy. ACDA participates in each of these IG's. ACDA chairs the Backstopping Committees which provide day-to-day support for on-going negotiations such as START, INF, and MBFR. PM participates in these committees.

It is important to note that the Bureau of Politico-Military Affairs is involved in the formulation and discharge of national security policies unrelated to arms control. Indeed PM's approach to arms control issues is multi-faceted since the Bureau is concerned with the integration of arms control policy into other aspects of national and foreign policy.

PM has additionally, responsibility for the development of U.S. security policy for the modernization and deployment of strategic and conventional forces in cooperation with our NATO allies and friendly allied governments throughout the world. These and other regional responsibilities involve daily liaison with the Department of Defense to supply foreign policy perspective on numerous defense activities and policies(e.g. deployments, exercises, and defense cooperation). The Bureau also provides the Secretary, through its defense policy analyses, with the support he needs to integrate U.S. foreign policy and defense policy considerations to arrive at a true national security policy.

GAO Report on the Office of the Inspector General

Q On June 1, 1983, the GAO issued a report critical of the Department's Office of the Inspector General and recommended legislative and administrative change. Would you please respond to the points made in that report?

A In late July of 1983, the Department provided a copy of its response to the GAO report (GAO/AFMD-83-56 of June 2, 1983) to the Committee. A copy of our letter to Chairman Hatfield and of our response to the report are enclosed:

Dear Mr. Chairman:

Enclosed are the comments of the Department of State concerning the GAO report on the Office of the Inspector General of the Department and the Foreign Service (GAO/AFMD-83-56 of June 2, 1983). Pursuant to a separate request from Chairman Brooks, the Department's comments have been forwarded to him by an earlier letter.

The Department recognizes that there is a difference of opinion over just how the Office of the Inspector General of the Department of State and the Foreign Service should be constituted. Based on considerable experience with a variety of arrangements under legislation and regulation, the Department believes that the 1980 Foreign Service Act provides a sound basis for Inspector General activities which, as presently carried out, meet the public interests.

The Act has been in force two years (since April 1, 1981) and during that time the Office of the Inspector General has constantly sought to refine and upgrade inspection, audit, and investigative methods and procedures. The additional perspective provided by the GAO auditors' report will be helpful to the Office of the Inspector General as it continues to improve its operations.

With cordial regards,

Sincerely,

Powell A. Moore
Assistant Secretary
for Legislative and
Intergovernmental Affairs

Enclosure:

Department response to GAO report

United States Department of State

Washington, D.C. 20520

RESPONSE TO GAO REPORT GAO/AFMD-83-56

MORE INDEPENDENCE IS NEEDED IN THE IG'S OFFICE

The operating relationship between the Office of the Inspector General of the Department of State and the Foreign Service (S/IG) and Department management is spelled out in the governing legislation - Section 209 of the 1980 Foreign Service Act. The relationship is one of the Inspector General's independence to conduct inspections, audits, and investigations when, where, and how he deems necessary, combined with constructive interaction with Department management to obtain effective implementation of S/IG recommendations. The GAO acknowledges this but argues that the legislation should be amended or repealed.

The principle of independence is at the core of S/IG doctrine and is clearly spelled out in the Inspectors Handbook (Vol. I, Chapter I-C):

> "The Inspector General's Office is committed to integrity, breadth of perspective, and objective judgment. As an internal evaluatory mechanism, S/IG provides an independent, critical appraisal of the operations of the Department and Foreign Service while working within the system to improve its effectiveness.
>
> "The Inspector General reports to and is under the general supervision of the Secretary of State, but is statutorily independent in several respects. To accomplish its legal mandate, S/IG maintains close working relationships with the Under Secretary for Management, the Director General, and the Deputy Assistant Secretary for Security. S/IG nevertheless is independently responsible for its fact-finding, analysis and judgment. Its evaluations are checked for accuracy with inspected and audited units, but they are not cleared laterally or vertically."

The Department's regulations (Foreign Affairs Manual (2FAM 131.1a.)) note that, "The Inspector General is responsible for conducting objective, independent inspections, audits, or other evaluations...."

Assuring that independence is practiced in implementation by individual inspectors (audit qualified and Foreign Service) and investigators in fulfillment of their duties is a key management function of the Inspector General just as it is a function of any organization's management to assure the integrity of employees in fulfilling their responsibilities.

The GAO auditors conclude, on the basis of some opinions offered during interviews conducted in the Department and elsewhere, that there are "a number of situations in which the independence of the State IG's inspection, audit, and investigative functions has been or could be perceived as impaired." However, the GAO did not cite a specific instance where an evaluation was so impaired. The Office of the Inspector General is not aware of any instance in which the conduct, conclusions, findings, or recommendations of an inspection, investigation, or audit have been compromised by the failure of inspectors or investigators to exercise independent judgment.

STATE IG IS PERFORMING A MANAGEMENT FUNCTION--INSPECTIONS

The GAO report notes that S/IG is carrying out a function assigned to it by the Foreign Service Act - inspections - but states S/IG should not be doing so. In Appendix II (p.33 ff) the GAO report acknowledges that S/IG has been given a unique charter by the Congress which includes this responsibility:

> "The legislative history indicates that the uniqueness of this requirement (to assess whether policy goals and objectives are being effectively achieved and whether the interests of the United States are being accurately and effectively represented (sec. 209(b))) sets the State Inspector General apart from the inspectors general established by the 1978 act. The following comment on this requirement appears in the House report:
>
> > 'In the view of the committee, the historically dual responsibility of the office of the Inspector General to prevent waste and misuse of funds and also to determine compliance with U.S. foreign policy objectives sets this office apart from other Inspectors General. It is not enough to know that a bureau or office in Washington or a post overseas is functioning efficiently and that its accounts are accurate, for at the same time, that post, bureau, or office may not be effectively representing U.S. foreign policy interests.'"

Section 209 (g) of the Foreign Service Act further indicates that Congress saw the Office of the Inspector General of the State Department and the Foreign Service as having a role which goes beyond that of other agency IGs. That section authorizes the IG to review activities of other agencies overseas operating under the direction of the chief of mission, "for the purpose of ascertaining their consonance with the foreign policy of the United States." Not only does the section reiterate the focus on policy (as opposed to merely auditing for efficiency and economy), but it also extends the IG's charter to include assessing whether other agencies' overseas programs are "consistent with the responsibilities of the Secretary of State and chiefs of mission."

The Department believes that inspections not only provide the Secretary with valuable independent oversight of the implementation of policy, but also that inspections are a legitimate and proper activity for an Inspector General as is any assessment of program results.

STATE'S MANAGEMENT IS PERFORMING AN IG FUNCTION--INVESTIGATIONS

The GAO report asserts that the Inspector General's investigative independence is impaired by the use of Office of Security personnel to conduct investigations.

The legislative history of the Foreign Service Act of 1980 guided the manner by which the Inspector General would accomplish the investigative function. A careful evaluation of the investigative universe, available resources, principles of cost effectiveness, and the necessity to respond promptly to situations occurring at 252 posts abroad led to the conclusion that the Inspector General's investigative responsibilities could be best served by using a combination of resources -- the limited IG investigative staff (3 positions) and the worldwide network of the Office of Security.

The S/IG investigative staff would conduct or supervise investigations which required direct Inspector General control. The staff would also monitor, guide, and direct those investigations conducted by Office of Security personnel on behalf of the Inspector General.

The relationship with the Office of Security was formalized in an Interoffice Support Agreement which specifically addressed the need for independent Inspector General investigations. The Agreement states that,

> "While conducting IG-sponsored investigations, Office of Security personnel will be considered acting on behalf of the Inspector General, and any interference in their activities will be considered a violation of Section 209 of the Foreign Service Act of 1980."

In addition, the Agreement places special restrictions on the storage and release of information developed in an Inspector General-sponsored inquiry and specifically restricts the Office of Security from discussing IG investigations with State's management hierarchy.

The Inspector General's evaluation and oversight of investigations has not disclosed any evidence that the Office of Security's location within the Department's management has adversely affected the independence of any Inspector General investigation. However, it was found that the support of investigations provided by the Office of Security during the first year of operation required improved quality and timeliness. The measures since undertaken in support of the Inspector General's investigative program, i.e., reorganization, training, and increased IG staffing for oversight, should ameliorate the earlier deficiencies.

Given the farflung nature of Foreign Service operations, the Inspector General's investigative program is best served by drawing upon investigative resources which can most effectively accomplish the task.

GREATER EMPHASIS IS NEEDED ON COMPLIANCE WITH GOVERNMENT AUDIT STANDARDS

GAO asserts that: Foreign Service Officers (FSOs) on the IG staff do not have adequate audit experience and training; staff are required to operate under severe time constraints which impair the scope of their work; and the inspection staff is not required to document adequately its work.

The State Department team which inspects a foreign post performs two functions. The FSO inspectors, who form part of the team, are primarily responsible for assessing "whether policy goals and objectives are being effectively achieved and whether the interests of the United States are being accurately and effectively represented" (sec. 209(b)).

The team also contains audit qualified inspectors who conduct systematic examination of controls over resources, financial transactions, and other administrative activities and operations. With regard to the quality of these people, it should be noted that 20 out of 26 on board in 1983 were hired from GAO.

S/IG recognizes the value of training and has consistently pursued a policy of upgrading training for all inspectors. Both Foreign Service (FSO) and Audit Qualified (AQI) inspectors bring necessary and valuable basic skills and experience to the inspection corps. S/IG supplements both groups' core skills with training designed to familiarize FSOs, on the one hand, with audit techniques, and AQIs, on the other, with Department and overseas mission functions. FSO audit training is sufficient for inspection purposes since audit qualified inspectors are available if advanced audit techniques are needed.

The amount of time spent auditing and inspecting an individual post, unit, or bureau has to be considered in terms of margin of return. There is a risk of crossing the line between monitoring management's performance and doing its job for it by becoming too involved in the functioning of everyday management. Inspectors could identify additional deficiencies in any given inspection or audit if they had more time. Constraints on staffing and travel budgets dictate that cost effectiveness clearly justify any additional time or staff committed. If an inspection or audit reveals a need for further assessment beyond the time available to the team, a team member remains behind or returns to the post, or [illegible] auditor or inspector is sent to pursue the assessment.

The Inspector General agrees that documentation of findings is important. The Inspectors Handbook (Chapter VI, Volume I, "Washington Review") spells out the general requirements for documentation of findings and recommendations. It states,

> "This (GAO) standard places upon the inspector the responsibility for accumulating sufficient evidence to provide an appropriate factual basis for his opinions, conclusions, judgments, and recommendations."

S/IG recognizes that there is always room for improvement in the area of documentation and has held special training sessions on the preparation of workpapers and explicitly directed the attention of inspectors to this requirement in internal notices dated 5/20/81 and 11/9/82.

RECOMMENDATIONS TO THE CONGRESS, THE SECRETARY, AND THE INSPECTOR GENERAL

To the Congress:

> "That (it) either (1) repeal section 209 of the Foreign Service Act or (2) conform Section 209 to the Inspector General Act of 1978."

Response:

> The Department believes that it is too soon to consider amending Section 209 of the 1980 Foreign Service Act. The legislation has been in effect a relatively short time and appears to be be well suited to the public interests.
>
> Congress continues to recognize that agencies with significant national security and foreign affairs components are

best served by IG legislation which acknowledges that all agencies do not operate in the same environment nor do they require identical legislation to effectively carry out their functions. Legislation creating the Inspectors General of AID (in 1981) and the Department of Defense (in 1982) acknowledged the special needs and requirements of both of those agencies.

To the Secretary and
Inspector General:

That they "....discontinue the IG office's reliance on..." Foreign Service Officers and auditors in the Foreign Service.

Response:

Assessment of "whether policy goals and objectives are being effectively achieved and whether the interests of the United States are being accurately and effectively represented," is a key IG activity because it focuses on the primary function of the Department. The Inspector General needs the expertise of experienced Foreign Service professionals, as well as auditors, to carry out this function. The IG relies on their skills and experience to assess the Department's program results, which are of key importance to the nation's security. Those skills and experience would be virtually impossible for the IG to duplicate with a permanent staff in any cost-effective way.

To the Secretary and
Inspector General:

That they "establish an investigative capability within the IG office ...to conduct its own investigations."

Response:

The IG has already established a limited investigative capability within the Office of the Inspector General. There is pending before the Congress a Fiscal Year 1984 budget request for six additional positions which would expand this capability. If Congress passes the request, the GAO's concerns will be met in the most cost-effective way.

To the Inspector General:

That he "stop participating in ... the Department's Priorities Policy Group and Committee on Foreign Service Posts."

Response:

The IG uses his participation in these activities to promote compliance with recommendations by advising management on specific resource issues which have been examined by inspections and audits. The compliance function, although not mentioned specifically in Section 6 of the Inspector General Act nor Section 209 of the Foreign Service Act, is implicit in the inspection/audit process.

The legislative history supports the advisory function. The House Committee on Foreign Affairs Report on the Foreign Service Act, p. 23, notes that Section 209(a)

> ".....provides that the Inspector General shall perform other functions prescribed by the Secretary of State. These other functions will be limited to evaluatory and advisory functions to improve the effectiveness and efficiency of the management of Foreign Affairs ..."

To the Inspector General:

- That he "Establish a quality review system to ensure that the work of the office complies with Government audit standards."

Response:

The Inspector General will establish a quality review system.

OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS

Q. What are the duties of the 30 Science and Technology officers located at U.S. embassies and mission worldwide?

A. There are at present 34 officers serving full-time as Science Counselors, Science Attaches or Assistant Science Attaches. They are the principal advisors on science and technology for the various Chiefs of Mission. In addition, they monitor and report on major S&T developments in the host country; establish and maintain contact with the local scientific community; and facilitate U.S. scientists' interaction with their local S&T counterparts.

Office of the Legal Adviser

QUESTION:

How many employees of the Office of the Legal Adviser are located overseas? If any, where are they posted?

ANSWER:

None of the employees of the office of the legal Adviser are located overseas. However, the Office works closely with attorneys posted at several overseas offices such as; the U.S. Agent to the Iran/United States Claims Tribunal at The Hague, The Netherlands; the International Court of Justice, also at The Hague; the U.S. Mission in Geneva, Switzerland; the U.S. Mission in Berlin, West Germany; U.S. - Iran Claims Tribunal; and, the Multinational Force and Observers in Rome, Italy.

Office of the Legal Adviser

QUESTION:

One of the major issues facing the office of the Legal Adviser is the resolution of U.S. - Iran claims. How many claims were resolved in 1983? How many do you estimate your will resolve in 1984? What is the total cost of the Iran/U.S. Claims Tribunal located in the Hague?

ANSWER:

It is virtually impossible to estimate how many claims will be resolved in any one year because of the unpredictability of claimants, as well as the level of activity scheduled by the Tribunal. In FY 1983, 220 claims were decided, settled, or otherwise disposed of. However, the most noteworthy indications of the success of this effort has been the resolution of over 25% of all large claims and the recovery by U.S. claimants of nearly $192 million from the security account. By agreement with Iran, the United States supports one half of the costs of the Tribunal. The U.S. contribution for this purpose in 1984 is estimated to approach $2.9 million.

QUESTION:

Why is the Office of the U.S. Permanent Representative to the OAS part of the Inter-American Affairs Bureau and not the Bureau for International Organization Affairs?

ANSWER:

The Organization of American States, as well as its affiliated organizations (IICA, PAIGH, IIAI, and PARCA) comprise a unique regional system among international organizations. They reflect the political and other special interests unique to the members of the Inter-American community. The Office of the U.S. Permanent Representative to the OAS provides the major link between the U.S. Government and these regional organizations. The Bureau of Inter-American Affairs is responsible for overseeing all U.S. interests in the hemisphere and so it follows that the U.S. Mission to the OAS should receive guidance and direction from this bureau. Indeed, the same organizations represent a major facet and tool for promoting U.S. policy objectives in the area.

The Bureau of International Organization Affairs is primarily responsible for U.S. positions and activities in the United Nations' system. The regional concerns of the Inter-American system are secondary. At the same time, the Bureau of International Organization Affairs provides policy direction with respect to specific aspects of multilateral diplomacy e.g., budgetary austerity. The latter are not in any way conflictive with the regional political focus of the Inter-American system.

19. Q. With the decline in visa work at our Mexican posts stemming from the devaluation of the Peso, why are you requesting three new consular positions rather than a decrease, or at least, why are you not shifting consular resources between Mexican posts to cover the borders where the decline has been least felt?

A. First, there has been an increase in demand for "immediate relative" immigrant visas by Mexicans with close relatives in the U.S. The decline in demand was for nonimmigrant visas which take less manpower.

Second, there has been increased issuance of border crossing cards by U.S. consular offices in Mexico.

Third, rather than shift resources, we shifted workload by moving some of the new, very heavy burden of the "Stateside Criteria Program" from overloaded Canadian posts to Mexican posts. The Stateside Criteria Program provides for the issuance of immigrant visas by nearby Foreign Service posts to certain aliens living in the U.S. These aliens are statutorily ineligible to adjust their status to that of permanent resident, so they must go to a U.S. consulate and get an immigrant visa. The major reason for additional consular staff at Ciudad Juarez and Tijuana is the addition of 6 to 12 thousand such Western Hemisphere "stateside criteria" immigrant cases to these two Mexican posts.

Fourth, nonimmigrant visa workload is rebounding at a faster clip than anticipated.

Finally, the devaluation of the peso has significantly increased U.S. tourist travel to Mexico with resultant increases in demand for emergency assistance and passport services.

Six positions have been reprogrammed due to nonimmigrant visa workload: three to Ciudad Juarez and Tijuana and three to support consular automation.

QUESTION:

The Bridgetown Embassy, before 1984, had responsibility for covering Grenada, as well as Barbados and other islands. In 1984, a full Embassy was established in St. Georges, Grenada. With the decline of responsibilities, why is the Bridgetown Embassy scheduled to grow rather than shrink in personnel levels in FY 1985?

ANSWER:

The events of last fall in the Eastern Caribbean confirmed that the United States must devote greater resources to the Eastern Caribbean region to insure that U S interests are protected. The Embassy in Grenada was established as the Administration determined that it was no longer sufficient or appropriate to continue to represent United States interests in that country from our Embassy in Bridgetown. The request for increased staffing at Embassy Bridgetown is due in part to the increased emphasis and interest in the Eastern Caribbean region as well as to support the growth of Embassy Barbados in the last few years. The post's joint administrative operation, responsible for providing a wide range of administrative services to support the rapid expansion of all agencies operating in the six independent island countries and three additional countries with regional responsibilities is not adequately staffed to meet the increased daily support requirements for a mission of this size.

The number of American and Foreign Service National employees at the Embassy has increased dramatically over the past 5 years with a commensurate increase in the workload of the administrative operations at the post. The post has been given regional responsiblity for budget and personnel administration at six other Foreign Service posts in the Caribbean and South America. The post has been inundated with official visitors from all sectors of our government. Entire weeks are devoted to administrative arrangements, logistical support, briefing, and handling of those visitors. The request for a personnel assistant and for three chauffeurs at post is needed to cope with increased responsibilities outlined above.

QUESTION:

What is the projected total cost of the feasibility study of alternatives to the Panama Canal? What is the projected U.S. share? What other countries will participate in the study? How much will each contribute?

ANSWER:

The Corps of Engineers estimates that the Study will cost $20 - $22 million over four years. The actual cost could be less. The Department estimates that the United States and Japan would each fund one-third of the study cost and Panama and other countries or organizations would fund the remainder. Several countries have expressed an interest in participating in the study, particularly the Netherlands, and discussions of their participation will be held at a later date. The World Bank and the Inter-American Development Bank have also expressed some interest, and might participate in some way.

BUDGET PRESENTATION

QUESTION:

The Department's justification presents its budget in a manner unlike any other agency before the Committee. No other agency requests resources to meet so-called "workload increases". Instead, other agencies accurately represent that new personnel hires reflect an enhanced program level whether that program level is due to workload factors or new initiatives. The Committee expressed its concern about this type of budget presentation in its report No. 97-584 (September 24, 1982 to accompany the Fiscal Year 1983 bill.

Does the Department plan to work with the Committee to change its budget justification form in the future? If not, why does it believe its current format is better?

In the presentation of the budgets for the overseas bureaus, why are consular and administrative increases termed "workload", while information and communication increases are termed "program"?

ANSWER:

The Department of State would certainly appreciate any guidance or comment the Committee Staff would like to make concerning changes or improvements to its Budget presentation. We intend to consult with the Committee Staff on all issues relevant to the budget process, with every effort to streamline and more effectively present our appropriation requests.

To specifically address your concern on the presentation of consular workload increases under the classification of built-in changes rather than program changes, it is helpful to explain that the overseas consular position increases are justified primarily on workload statistics and estimates provided by all posts. The increase or decrease in workload at each post is a product of political and economic factors, anti-fraud efforts, use of automated systems and management improvements. These are changes to services which comprise shifts in level of workload over which the Department has no discretionary control and which the Department is obligated to provide all its citizens overseas, as well as to those foreign nationals seeking entrance to the United States.

The administrative support package is similarly justified on the basis of workload and represents the level of services required to maintain a U.S. presence overseas by all agencies dependent on or participating in State Department administrative operations. Insofar as these responsibilities represent unavoidable requirements the Department must fund, similar to fluctuations in wage and price, the overseas consular workload and administrative support increases have been positioned in the Budget request as built-in changes.

Other Department activities are not primarily justified on the basis of statistical workload packages or cost of services; therefore, proposed changes in funding levels reflect program activity adjustments. For this reason, funding increase requests for communications and security resources are not addressed as built-in changes tied to shifts in workload or service, but more accurately as program enhancements. Increases to these programs usually represent proposed changes in program scope, level of effort or the commencement of new initiatives.

Q. What is the Language Incentive Program? What languages are covered by the program? How does an employee qualify for the program and what is the level of benefits?

A. The Language Incentive Program is designed to encourage Foreign Service personnel to develop and maintain skills in difficult languages for which we have critical staffing needs overseas. The program involves step increases for officers who are certified as having achieved professional proficiency in one of the specified languages, and at-post allowances for those officers possessing the required levels of proficiency while serving in a country where the language is used. Step increases are granted as follows:

-- One step increase for those officers who complete twelve weeks of training in an incentive language at the Foreign Service Institute.

-- Three step increases (or two if one step increase has been granted under the above procedures) to those tested by FSI at the S-3/R-3 (minimum professional proficiency) level while the language is on the incentive list.

Post allowances consists of a ten percent salary differential for those with valid test scores of S-3/R-3 or 15 percent for those tested at the S-4/R-4 (full professional proficiency).

To qualify for the allowance, officers serving for the first time in the language area must be filling an official language designated position. Test scores are valid for five years, except that officers who once tested at S-4/R-4 are presumed to retain the S-3/R-3 level.

The current incentive languages are: Amharic, Arabic, Bengali, Burmese, Chinese (Cantonese), Chinese (Mandarin), Dari, Farsi, Hindi, Hungarian, Japanese, Korean, Lao, Nepali, Pilipino/Tagalog, Russian, Tamil, Thai, Turkish, Ukrainian, Urdu, Vietnamese, and Visayan.

Q. In the Bureau of International Organizations, you have allocated 12 positions and $556,000 for Private Sector Initiatives. According to your justification "this activity is responsible for policy formulation in certain political and international administration areas directly related to UNESCO..." Since the U.S. is withdrawing from UNESCO on January 1, 1985, why isn't the request for this activity decreasing?

When the U.S. pulls out of UNESCO, will you close the U.S. Mission in Paris?

A. We intend to devote additional resources in 1985, particularly in Washington, to developing and participating in alternatives to activities presently conducted by UNESCO. The Department of State is already working with other government agencies and private groups in the fields of education, science, culture and communications in order to identify those activities which are beneficial to U.S. interests. We expect to exploit the potential of other international organizations as well as create new mechanisms more efficient and effective for the end-users. We want particularly to tap the potential of the American private sector in this effort.

No decision has been made on the precise consequences of our withdrawal on our Mission to UNESCO. Very likely, the staff of the Mission will be reduced, but it is also possible that a small staff will remain to observe UNESCO meetings and provide Washington the more important UNESCO documentation.

CHANCERY BUILDING AMMAN, JORDAN

Q 25. Has the Department exercised its option to purchase the chancery building in Amman, Jordan? If not, does it plan to before the option expires in April 1984? If not, why not?

A. The Department has not yet been able to exercise the purchase option at a price of $1,590,000 (at today's rate) contained in our lease. The landlord has stated that he is unwilling to honor the purchase option at the purchase option price, and that his asking price is now approximately $3,000,000. The present fair market value of the property at this time is just over $2,000,000.

The validity of a purchase option clause in a lease has never been tested in the Jordanian courts, and legal action could take a number of years and be costly.

Embassy Amman will be forwarding recommendations to the Department on a course of action. Should the option be exercisable we will have to identify funds for the purchase and request reprogramming.

CHANCERY IN SEOUL, KOREA

Q 26. What is the time-frame for building the new chancery in Seoul, Korea? Will it be completed before 1988 Summer Olympics?

A. Funds for development of the Seoul Chancery were added to the Department's FY 1984 appropriation. Design development is expected to be completed in time for the inclusion of construction funds in the Department's FY 1987 budget request. If funds are available in FY 1987, the construction will probably not be completed until early to mid-1990. Construction is estimated to take 36 months for this major construction project.

MEXICO CITY PROJECTS

Q 27. What is the status of the two Mexico City projects funded in the FY 1984 bill?

A. The FY 1984 bill contains $2.8 millon for the purchase of a site located to the rear of our current Chancery building in Mexico and, $1.1 million for the rehabilitation of the air conditioning/filtering system in the Chancery building.

A FBO team, headed by the Director of FBO, visited Mexico City on March 11, 1984, to negotiate with the owner of the property. The team made an offer which matched the fair appraised value of the property. FBO is awaiting a response from the owner.

The Chancery air conditioning/filtering rehabilitation project consists of two major phases; air conditioning of the Chancery and air filtering of the basement garage. The basement garage portion is now under construction and should be completed in a month's time. The air conditioning portion is now under design. The design should be completed within three months and the construction completed within a year.

FBO SECURITY ENHANCEMENT

Q 28. FBO security enhancement monies can be used only for buildings the U.S. Government owns or long-term leases. Is there any account that can provide security enhancement projects for short-term lease buildings? If not, why not? How long is the duration of a long-term lease?

A. Security enhancement projects for short-term lease buildings are funded from the Department's Salaries and Expenses Appropriation. These projects are funded from several accounts depending on the nature of the projects. The Security Enhancement Program (SPL) account funds security projects at high threat posts. The European Security Supplemental of FY 1983 funds projects in Europe. The Office of Security funds security equipment installed at short-term leased buildings, and the regional bureaus fund other security projects or measures. A long-term lease is defined as a lease of 10 years or longer.

QUESTION

The staff housing project in Bonn will cost $1,000,000 more to pay for West Germany's Value Added Tax. Has the Office of Foreign Missions reviewed this matter? If so, what are its conclusions?

ANSWER

The Office of Foreign Missions has studied the Value Added Tax (VAT) issue and it has been determined that those foreign governments which levy VAT on U.S. mission construction projects will be surcharged similar percentages on their construction projects in the U.S. In addition current exemptions from U.S. sales taxes are being revised for all countries which subject U.S. missions or personnel to VAT or other taxes.

Emergencies in the Diplomatic and Consular Services

Q. Regarding Emergencies in the Diplomatic and Consular Services account:
--For Fiscal Years 1982, 1983, 1984, and 1985, how much was loaned to Americans overseas or is estimated to be loaned?
--How much was repaid in Fiscal Years 1982 and 1983?
--What is the current outstanding balance for loans?
--Where do the proceeds of the repayments go?

A.

	1982 Actual	1983 Actual	1984 Estimate	1985 Estimate
Loans	$575,000	$495,000	$656,000	$700,000

-- The outstanding loan balance as of December 31, 1983 totaled $2,832,000.

-- Proceeds of loan repayments go to a general Department of Treasury receipt account.

-- Repayments totaled $268,000 in FY 1982 and $262,000 in FY 1983.

DISTRIBUTED ADMINISTRATIVE SUPPORT (DAS) REIMBURSEMENTS

Q: What is the total amount received in reimbursements from other agencies for Distributed Administrative Support? Please provide a breakdown of DAS expenditures by bureau?

A: In FY 1983, the Department was reimbursed $63.7 million for Distributed Administrative Support (DAS) services to other agencies overseas. We anticipate that reimbursements in this area for FY 1984 will total $72.3 million. These are broken down as follows:

	($ in millions)	
BUREAU	1983 Actual	1984 Estimate
Latin America	$ 7.1	$ 9.4
Europe	10.8	12.5
East Asia & Pacific	6.4	7.5
Near East & South Asia	10.6	12.3
Africa	14.5	14.3
International Organizations	.4	.3

Regional Administrative Management Center (RAMC), Paris	.9	1.0
Foreign Building Operations	13.0	15.0
TOTAL	$63.7	$72.3

Buying Power Maintenance Account

Q. With a strong dollar, and with $17,194,000 already in the Buying Power Maintenance account, why did you transfer $4.6 million out of Salaries and Expenses for BPM rather than reprogram the sums for other priority programs included in your Supplemental request?

A. Based on exchange rate fluctuations through November, 1983, and the maintenance of those exchange rate levels, we anticipated that during FY 1984 $4.6 million would be transferred into the Buying Power Maintenance (BPM) appropriation from the Salaries and Expenses appropriation. Subsequent declines in the exchange value of the dollar have significantly reduced our current estimated transfer of funds into this account. If this decline in the exchange rate of the dollar continues, we will also transfer balances already in the BPM appropriation back to Salaries and Expenses. This action would reduce the $17.2 million balance in the BPM appropriation.

Regarding our ability to reprogram exchange gains in BPM countries, Section 112 of PL 97-241 (the Department's 1982-83 Authorization Act) states that the Secretary shall transfer substantial gains away from operating appropriations to the BPM appropriation. Consequently, it is the Department's position that we do not have the discretion to reprogram exchange gains in BPM countries.

Office of American Institute in Taiwan

Q: Where is the Washington office of the American Institute in Taiwan located?

A: The corporate headquarters of the American Institute in Taiwan are located at 1700 N. Moore St., 17th Floor, Arlington, Virginia 22209. The telephone number is (703) 525-8474.

Q. The Junior Officer Reporting and Analysis Program which contains 8 positions, provides Junior Foreign Service political and economic officers with a developmental opportunity in their specialty before they are promoted and assigned to mid-level responsibilities. What is meant by "a developmental opportunity"?

A. Junior officers are given an initial four year limited appointment when they enter the Foreign Service. During this time they must demonstrate the potential to serve through the mid ranks of the Service before they receive tenure, or career status. The eight Reporting and Analysis positions overseas (RAPS) give the Department some flexibility to assign junior officers to posts so they can develop the reporting and analytical skills which are essential to a successful career in the Foreign Service.

Foreign Service Institute

Q Does the Foreign Service Institute charge tuition or any fees for its programs? If so, how much is brought in? How is this money spent? What is the total program level?

A There are tuition rates for all courses except for those sponsored by the Overseas Briefing Center, which is attended mostly by family members of State and other agency employees who are going overseas. Participating agencies are billed quarterly for tuition costs, and payment is made through a transfer of funds. The cost of training State employees is covered through direct budget support to FSI. State is not billed directly for training.

Reimbursements totaled $6,491,902 in FY 1982, and $6,810,934 in FY 1983.

About 40% goes for the salary and benefits for 150 full time FSI employees in designated reimburseable positions. Less than 1% is applied to administrative support of the four overseas schools. The remainder is allotted to FSI and applied to its operating budget.

FSI program levels for the past two fiscal years and estimate for FY 1984 are as follows:

	FY 1982 $ (000)	FY 1983 $ (000)	FY 1984 (est) $ (000)
Budget Auth. (direct)	22,598	23,170	26,096
Reimbursed	6,492	6,811	6,900
Total	29,090	29,381	32,996

Electrical Closets at Main State

Q: What reasons has GSA given for its refusal to upgrade the electrical closets at Main State?

A: In October 1982, the Department advised GSA of a problem with electrical power and electrical power installations resulting from an influx of word-processing equipment being installed in the Department. GSA responded that the problem was a universal one and that they would undertake a survey. If necessary, they would upgrade electrical closets only on a reimbursable basis. In subsequent conversations, GSA explained its position on funding was based on the rationale that our electrical requirements were generated by the installation of specialized automated equipment which exceeded the capacity of the electrical closets. Therefore the cost of the upgrade was an identifiable agency cost.

COMPUTER SECURITY

37. The Bureau for Administration is requesting 5 positions and $598,000 for computer security- Information Systems Security Staff (A/ISS). Why is this effort not within the Information Systems Office? How does it differ from the Office of Security's Division of Domestic Operations (A/SY/DO) "which provides and implements physical, procedural, and technical security

safeguards to deter penetration of the Department's computer and word processing systems"?

ANSWER: (1) In establishing A/ISS it was decided to separate data processing operations and security responsibilities by creating an independent unit. This is consistent with the recommendation of a 1981 GAO report which concluded that computer security programs should function independently of line management and report directly to senior management. The intent is to assure that operational priorities do not override security considerations.

(2) There is a fundamental difference between A/ISS and A/SY/DO. A/ISS is chartered to provide Department-wide computer security program management, policy development, perform system security evaluations and provide internal consulting services. Within the Department's total computer security program, the Office of Security is the lead organization for implementation of the physical, personnel, and technical security (i.e. audio contermeasures) segments. A/SY/DO represents the interests of the Office of Security on computer security issues. A/ISS, as well as other involved organizations like A/SY, share responsibility for the development of comprehensive procedural security controls for automated systems.

Positions and Funds by Function

Question

Please provide for the record, a breakdown of positions and funds from all bureaus for the following functions:

Answer

$ in thousands

Function	Positions	Funds
Consular	3,504	$161,426
Security	791	121,921
Communications	1,646	173,815
Information Systems	209	29,387
Congressional Affairs	28	1,359
Public Affairs	53	2,851
Foreign Buildings*	107	353,159
Budget & Fiscal	843	39,305
Medical	152	16,204

* Includes the Foreign Buildings and Foreign Buildings Special Foreign Currency Appropriations

Q. You ask for another position in the Office of Foreign Service Career Development to handle Title and Rank actions. How many people are currently handling this duty?

A. There is currently one officer responsible for issuing diplomatic titles to all members of the Foreign Service in the State Department, AID, USIA, the Foreign Commercial Service, and the Foreign Agricultural Service. A review of the number of titles issued in the past 6 years will give some indication of the growth of the workload. In 1978 - 2,883; in 1979 - 3,437; in 1980 - 3,391; in 1981 - 3,431; in 1982 - 4,284; in 1983 - 4,576.

It is currently anticipated that 500 officers with AID will be commissioned as Foreign Service Officers. This will result in a dramatic increase in the number of diplomatic titles that are to be issued. We therefore anticipate the need for additional assistance to help with this responsibility.

Q. In the Bureau of Personnel, Employee-management relations, you state that it costs approximately $15,000 for each grievance that is appealed to the Foreign Service Grievance Board. Why is this so costly? What are you doing to reduce the costs of each case? What are you doing to prevent cases from reaching that point of dispute?

A. The figure of $15,000 is misleading. It is not the cost of each case appealed to the Board. From the best available information, we estimate that a case appealed to the Board may cost as much as $15,000. The majority of cases appealed to the Board are estimated to cost between $2,000 and $3,000. Some cases may exceed $15,000, if protracted hearings are required or the resolution of the appeal includes the award of attorneys fees.

To reduce costs every effort is made to mediate or settle a grievance to the extent that is possible. The Grievance Staff has endeavored successfully in increasing numbers of cases to arrive at negotiated settlements. These settlements obviated the time consuming and expensive process of providing agency decisions and further precludes a case from going to the Board level.

Foreign Service Retirement and Disability Fund

Q. For Fiscal Years 1983, 84 and 85, please provide the following information about the Foreign Service Retirement and Disability Fund:

1. Total Amount of employee contributions
2. Level of permanent appropriation
3. Level of appropriation funded by this Committee
4. Total government contribution.

A. The requested information is contained in the following table:

	1983	1984	1985
	($ millions)	($ millions)	($ millions)
Employee Contributions	$38.3	$39.2	$41.0
Permanent Appropriation	218.5	219.6	221.4
Current Appropriation	96.0	103.8	106.7
Total Gov't. Contribution	351.0 1/	359.9 1/	368.7 1/
Total State Dept. Contribution	314.5	323.4	328.1

1/ Also includes AID Contribution

U.S. Contribution to the OAS

Q: Why does the U.S. have "planned arrearages" in its payments to the OAS?

A: The U.S. pays 66% of the OAS budget. An anachronistic scale of quotas going back to 1949 has distorted the sharing of the burden of financing the OAS. A majority of OAS members have had their quotas reduced in the past decade whereas the U.S. quota has remained unchanged. At the specific request of various Committees of the Congress, in some cases written into the Appropriations Law of the State Department, the Department was asked to negotiate a reduction of the U.S. quota to 49%. We have pursued this objective since 1976.

In 1980 we succeeded in obtaining a reduction to 64.7% which we considered a promising first step, as we reported to the Congress. Unfortunately, the other countries were unwilling to take further steps to resolve the issue despite repeated U.S. consequence, the U.S. decided to add 1% per annum to the initial reduction in 1980 as a means of focusing attention on the urgency of reaching a definitive solution.

The U.S. continues to be the major contributor to the OAS and, more importantly, is the only country to make periodical payments based on a schedule which enables the OAS to regulate its cash flow. Other major contributors have sometimes been in arrears for one year or more on their entire assessment. It is in fact the U.S. which, through its regular and scheduled payments, enables the OAS to maintain uninterrupted operations throughout the year.

TAX EQUALIZATION FUND CREDITS

Q 43: What is the Tax Equalization Fund Credit that alters our contribution to several International Organizations?

A: It is a reduction in our assessed budget contribution resulting from less money being paid by the organization to American staff members in reimbursement for taxes paid than has been set aside from previous U.S. assessments for this purpose.

International organizations set salaries on the assumption that no income taxes will be levied on them, partly to achieve equal pay for equal work regardless of nationality. But the United States does tax the salaries of American employees of international organizations, in line with the policy that no class of Americans should be completely exempt from tax. The United Nations, the World Health Organization, and the Food and Agriculture Organization have Tax Equalization Funds to reimburse employees thus taxed and thereby maintain equal pay for equal work. Member states pay to these Funds with a portion of their assessed contributions. States which do not tax their nationals may credit these payments to future assessments. Taxing states, like the U.S., may similarly be credited for the unused portion of their contributions to the Tax Equalization Funds.

THE FUNCTION OF GATT BETWEEN NEGOTIATIONS

Q: What is the function of GATT between negotiations?

A: The GATT is both a forum for the discussion of trade problems and a set of rules governing the conduct of trade. Trade negotiations are undertaken only after thorough discussion of trade issues has culminated in a consensus regarding their desirability and scope. GATT rules may also be involved in the discussion of general trade issues, as the Contracting Parties consider how to improve the rules. In addition, however, since rules require both interpretation and enforcement, the settlement of disputes arising from actual or alleged violation of the GATT rules is an important function of GATT independent of trade negotiations.

Examples of current GATT activities are: discussion of rules for "safeguard" action; discussion of the operation of the codes for the conduct of trade that were negotiated in the Tokyo Round; discussion of the special problems of developing countries and how best to deal with them; discussions to seek agreement on rules governing trade in agriculture; consideration of the new areas of trade in services and in high technology goods; and review of the measures which countries in balance of payments difficulty have taken under a provision allowing them to temporarily set aside the usual GATT rules. GATT has also established panels to examine a number of trade disputes, in many of which the United States has been a party.

CIO Appropriation Transfer of $4.8 Million to the S&E Appropriation

Q: Your FY 1984 bill gave you $520,515,000 for Contributions to International Organizations. Your justification now indicates that you will need $515,792,00. Where is the other $4.8 million?

A: Of the $520,515,000 appropriated for Contributions to International Organizations, $4.8 million is proposed for transfer to the Salaries and Expenses appropriation to partially offset 1984 supplemental requirements.

International Boundary and Water Commission

Q: Is the IBWC's Construction work contracted out?

A: The U.S. Section contracts out all major construction work, the most recent being the Amistad Power Plant. The U.S. Section also usually contracts out small construction work. Exceptions are those cases of emergency nature and where uncertain weather conditions and environmental considerations limit the working time and therefore, require flexible operations which can most effectively be performed by Government forces.

AMERICAN SECTIONS, INTERNATIONAL COMMISSIONS
INTERNATIONAL JOINT COMMISSION

Q. What is the major Air Pollution Reference the International Joint Commission anticipates receiving in FY 1984? What additional duties will this Reference place on the Commission?

A. The United States and Canada are currently engaged in mutual projects under a Memorandum of Understanding (dated 1980) that could lead toward consultations and negotiations of a treaty on air pollution problems. The International Joint Commission (hereafter referred to as the Commission) has been informed by both United States and Canadian officials that among the possibilities in such a treaty would be for the Commission to act as a responsible third party and report to the two Governments on the nature and effectiveness of activities undertaken by the two Governments pursuant to such a treaty. The mechanism which authorizes the Commission to undertake such activities is the issuance by the two Governments and receipt by the Commission of a Reference. At the time the budget submissions were being prepared, the possibility that negotiations of such an air pollution treaty containing a specific Commission role were very strong. We do not know, however, what the current state of discussions between the United States and Canada are on the subject.

Should a Reference be given to the Commission any time between now (April 1984) and the end of FY 1985 (September 1985), the Commission would require that the resources to begin work on the Reference be in its FY 1985 budget.

At the present time the Commission has limited activities with respect to air pollution. They are mainly informational, that is, the Commission maintains information and awareness of current air pollution programs and activities of potential interest. The staff duties associated with such activities vary but do not exceed 30% of the time of one senior staff member. With a reference on air pollution, especially one that covers issues and problems related to acid rain and long range atmospheric transport of pollutants, the nature of the current activities of Governments under the Memorandum of Understanding, the Commission would be required to undertake more intensive and extensive activities which would call for the full time services of senior level staff members. Here the duties would be the interpretation of data, research, and findings, and the preparation for Commissioners of major reports (annual and other frequencies) on the status of air pollution programs and progress in control of problem pollutants.

PROTECTION OF FOREIGN MISSIONS AND OFFICIALS

QUESTION: Regarding Protection of Foreign Missions and Officials, if an individual U.S. citizen is threatened and receives extra police help, he or she isn't billed later. Why should it be different for foreign guests?

ANSWER: Generally, a U.S. citizen does not receive special protection. Foreign diplomats, on the other hand, want protection when threatened.

Under international law, the United States is obligated to assure security for foreign missions and diplomatic and consular personnel in the U.S. The degree to which we provide protection for foreign officials directly correlates to our ability through reciprocity to obtain adequate security for our diplomats and facilities abroad.

Bilateral Science and Technology Agreements

Q: What is the purpose of special bilateral science and technology agreements? Do you plan to enter into any other such agreements with any other countries? If so, which countries?

A. Bilateral umbrella science and technology agreements provide a useful mechanism for coordinating S&T relations with a number of countries in which we have important interests. -

The U.S. scientific community has long been aware of the professional benefits to be derived from organized contact with their counterparts in other countries. In some cases the cooperating country's in a position of leadership in certain areas of science and technology, or individual foreign scientists are exceptionally capable. In other cases, because of geography, climate or other unique factors, the country provides research opportunities which do not exist in the United States.

There is also an increasing recognition, both in the United States abroad, of the importance of science and technology as a component of foreign relations. In certain developing countries, it serves U.S. objectives to promote economic development through science and technology. In others, the political benefits derived from close relationships in the S&T area support significantly our overall policy objectives with respect to the country in question. The introduction of foreign scientists, through S&T programs, to U.S. scientific equipment and U.S scientific methods has a long-range positive commercial effect for the United States. We are continually assessing our relations with foreign countries with a view toward concluding agreements which would be to our mutual benefit, including S&T agreements. In early February the Department signed a new S&T agreement with Brazil. Within the next several months we expect to sign a new agreement with Thailand and to renew our agreement with Indonesia. Our basic S&T agreement with China was renewed in January.

Financial Management Centers

50. The Department of State has plans to establish 20-40 Financial Management Centers (FMCs) at various posts around the world. These FMCs will be responsible for overseas disbursing operations and carrying out State's new Financial Management System (FMS). The FMCs apparently will essentially displace the three Regional Administrative Management Centers (RAMCs) which currently serve overseas posts. How did State determine that FMCs were necessary to implement its new financial management system?

-- Did State do any cost benefit analysis to justify the FMC concept?

-- What alternatives to FMCs were considered (i.e., upgrading RAMCs to implement FMS)?

-- How did State arrive at the number and location of FMCs needed to implement FMS?

Answer:

The Department's existing system is a combination of largely manual processing at posts and largely automated processing at regional centers (RAMCs). Because of deficiencies in this system in a broad range of areas, the Department conducted an extensive study with contractor assistance to identify alternative conceptual designs for a new Financial Management System (FMS). The study considered the costs and benefits associated with increasing the amount of automated processing of financial transactions performed at posts. It concluded that a system based on localized processing at the Department's largest posts was the most advantageous alternative. The final number of posts (FMCs) at which such processing will be performed (FMCs) and the role of the RAMCs were derived on the basis of an analysis of anticipated transaction volume at each post. More information regarding this study, the cost benefit analysis performed, and its conclusions is provided below following a brief background and introduction.

Background and Need for Financial Systems Improvements

Over a period of years the Department has permitted its Financial Management System to lag behind its needs. Currently, the information generated by our accounting system does not meet the needs of management. Additionally, the information, which is collected from our posts abroad and Washington, is generally not timely and highly susceptible to errors.

Accounting and budgeting information generated by our posts abroad is extremely labor intensive and hard-copy oriented. These posts around the world are provided disbursing and cash basis accounting services by three Regional Administrative Management Centers (RAMCs) and the Washington Finance Center. The software operated at these locations was developed over twenty years ago and is now extremely difficult to maintain and lacks the flexibility for changing requirements dictated by law, policy or management. Additionally, due to the distances involved, all posts must maintain a detailed manual set of cuff-records in order to sustain operations and stay within allotted funding. Also because of the distance involved and the fact that the processing takes place at another site, reconciliation becomes difficult. Because of the separation of duties in the accounting, budgeting and disbursing areas, the process becomes vulnerable to overpayments, late payments, lost checks, and potential fraud.

The extent of the existing situation was reflected in the Secretary of State's certification for Section 4 of the Federal Managers' Financial Integrity Act of 1982. In that December 1983 letter the Secretary attested to the general noncompliance of our accounting systems with approved principles and standards of the Comptroller General of the United States. Additionally, the Department cited three relevant material weaknesses involving property management, personnel, and funds accountability which further deteriorated the effectiveness of the system.

Approach to Development of System

In order to correct this situation the Department undertook in 1979 to review alternatives. The Department conducted a competitive procurement to obtain contractor assistance in identifying and analyzing alternative conceptual designs for an improved system. Two firms were selected to develop independent alternatives and present them to the Department. Each firm conducted a requirements review, developed alternative designs, and con- ducted cost-benefit analyses. Each firm, one a CPA firm and the other an automated systems implementation firm, independently concluded that a distributed system utilizing the FMC concept would be the most cost effective way to meet the requirements for an integrated system that met both Department wide needs (e.g., general ledger) and local needs (e.g., prompt plan vs. actual reporting at post).

Alternatives Considered

Alternatives reviewed by the contractors and the Department included centralized processing, enhancement of the existing regional processing approach, and the Financial Management Center approach (automation of local post processing). In reviewing these alternatives, assistance to our posts abroad was a paramount consideration, as well as ensuring the integrity and functional discipline of the Financial Management System of the Department. Following an intensive review, the Department adopted the Financial Management Center approach. This approach included the processing of local transactions at posts where justified by volume and accountability for accounting, budgeting and disbursing activities at our largest posts abroad, replacing the batch processing techniques which are currently in use.

The adoption of the FMC alternative was made possible by the minicomputer procurement undertaken at approximately the same time. With the introduction of minicomputers at our largest posts abroad, it was feasible to introduce the FMC concept to the area of financial management. This approach will enable the Department to avoid any long-run increase in staff for financial management and at the same time increase accountability and internal controls to prevent waste and fraud. In addition, it will enable the Department to meet other important objectives such as providing program managers with relevant financial information for decision-making and standardizing financial systems and procedures throughout the Department.

Number and Location of FMCs

The Department has given extensive attention to the question of how many FMCs are needed and where they should be located. At one time, as many as 32 FMCs were contemplated. The number now planned is 20. This number and locations were derived by considering:

- The transaction volume anticipated at the Department's largest posts;
- Post-specific circumstances; and
- The time required to install the FMS at FMCs.

The FMC concept provides significant benefits to posts in terms of timeliness, accuracy, and responsiveness. The Department has concluded that the cost of providing these benefits using locally-based minicomputers is justified at its 20 largest posts. At other posts, the volume of transactions does not, at this time, justify on-site processing. Instead, some FMS features such as interactive processing will be sacrificed to accelerate implementation with remote processing. The RAMCs will continue to provide services for some of the smaller posts for the foreseeable future.

The Department analyzed transaction volumes and other factors to determine those posts which would operate and process their own fiscal activities.

RAMCs

51. Are the RAMCs accomplishing what they were established to do? What has been the major shortcoming?

Answer:

The RAMCs have been the workhorse of our overseas fiscal and accounting operations for over two decades. Their service was distinguished. But they are based on out-moded batch-processing technology. Automation has not been taken to the post level. The posts abroad continue to perform the preponderance of budget, accounting, and management reporting in a largely manual manner which is slow and labor intensive.

Technology has passed the RAMCs by. Minicomputers and microcomputers enable major embassies to process reports and make payments at the same time and at the same place where the fiscal and accounting transactions occur. High-speed data communication lines are used to link these embassies to each other and to Washington.

The RAMC, with its mainframe computers, does offer today a suitable alternative for certain data processing functions where the processing of data cannot be done at the post. The RAMCs also provide a site for support of neighboring post data processing activities.

Revised Role of RAMCs

52. If FMCs are developed, what will be the revised role of RAMCs? Will the continuation of RAMCs be cost effective and necessary? What percentage of the present RAMC workload will be absorbed by the FMCs?

Answer:

The continuation of RAMCs will be necessary for the foreseeable future even though 100% of the financial processing (excluding American payrolling) will eventually be done by the FMCs.

The Financial Management System will utilize an on-line interactive accounting, budgeting and disbursing system in a shared environment on the WANG VS-100 minicomputer. This software which has been designed and developed by Price Waterhouse and Co., will be fully consistent with the Comptroller General's principles and standards for our accounting systems and will meet the test for internal controls as set forth in the Federal Managers' Financial Integrity Act of 1982 and OMB Circular A-123.

This set of software will be modified to run in a batch environment at the RAMCs in order to provide those posts which do not generate sufficient volume to become an independent FMC with the benefits, discipline, and integrity of the new Financial Management System. As such, the RAMCs will be Regional FMCs servicing smaller posts with accounting, budgeting and disbursing services.

ADDED COMPUTER CAPACITY AT RAMCs

Q: Why has increased computer capacity been recently added at the RAMCs: At what cost?

A: Increased computer capacity has been recently added at each of the three RAMCs at a cost of approximately $800,000 per site. This should substantially reduce the costs for developing new systems in the future. The configurations placed at the RAMCs were the smallest configurations that would allow any one RAMC to back up the other two and at the same time accommodate the data network telecommunications capabilities. This was done for two reasons:

1. As decentralized data and office processing becomes available to more posts, there is an increasing need for overseas posts, as well as the RAMCs themselves, to access the Department's corporate data base in Washington. The computers recently installed at the RAMCs have the inherent ability to accommodate a variety of data network telecommunications capabilities to facilitate this decentralization process in a structured and well ordered fashion.

2. Secondly, new computers were recently installed at the three RAMCs to provide standardization of both hardware and systems software.

RAMC Staffing

54. Are RAMCs adequately staffed with qualified personnel? Is the staffing expected to decrease if workload shifts to FMCs?

Answer:

The RAMCs are adequately staffed to handle the volume and type of workload currently presented to them. Each RAMC is staffed with data processing personnel with technical backgrounds who operate and maintain the existing hardware and software.

The staffing at the RAMCs is expected to decrease, in time, as the workload shifts to the posts at which the FMS is implemented. As the FMS is implemented, we anticipate a short-term overall increase in positions at the post. Subsequently, as the workload shifts to the posts over the three-year implementation period (September 1983 through September 1986), the staffing will decrease accordingly at the RAMCs.

FMS/FMC Staffing and Training

55. Does State have necessary trained staff to implement the FMS/FMC concepts? If not, will State be able to hire the staff necessary in all of the selected locations? Has State developed training programs to upgrade the skills of current staff to implement FMS/FMC requirements?

Answer:

Although, in the long run, the Department does not expect to increase its overall staffing in the financial management area to operate the FMS, some initial extra staffing requirements may need to be met in the implementation phase and during the initial period of use. Furthermore, additional training for financial management staff in specific areas is required. These areas include:

- Understanding of basic financial management concepts
- FMS procedures for obligation control, allotment accounting, vouchering, etc.

- System operation - operation of the FMS computers and related software

The first area of need, increased understanding of basic financial management concepts, will be met by means of training programs being developed at the Foreign Service Institute to upgrade the skills of our financial management personnel. The current six week budget and fiscal course for junior officers is being redeveloped into an eight week course to include all operations of the FMS, as well as more emphasis on basic financial management concepts.

To meet the needs for staff trained to utilize the FMS for day-to-day financial management activities such as processing obligating documents, the Department plans to provide training during the implementation phase of the FMS. The FMS contractor is developing extensive user procedures and other documentation. In addition, the contractor is preparing training materials and programs and will conduct training at each installation site. As the FMS is implemented at posts or regional centers, we will train the staff to use it.

Training in systems operation, a function required at post for the FMS and other automated systems, will be satisfied by using the increasing number of foreign service officers who have completed the newly developed five month system manager course given at the FSI supplemented by training developed under contract and provided to computer operations staff by the FMS installation team regarding the operation of FMS.

In short, we will be able to train American and Foreign Service National employees to assume the responsibilities of operating the FMS. If additional personnel are needed at post, we will provide the same level of FMS-related training to them either on site or in Washington.

RAMC FUNDING

Q: Why are the three RAMCs funded differently? (Bangkok reimbursed as working capital fund: Paris reimbursed through Foreign Affairs Administration Support System: Mexico City funded entirely by State appropriations). Why aren't users of RAMC Mexico City charged for services they receive?

A: RAMC Paris was established over twenty years ago. At that time, the Department did not have the Working Capital Fund and the posts contributed to the establishment of the RAMC by providing personnel positions. Other agencies pay for services under the Foreign Affairs Administrative Support System.

When RAMC Bangkok was created in 1973, the Working Capital Fund was used as an experiment. It was thought the Working Capital Fund would provide a business-like basis for the operation of the Center. The posts had the ability to control their expenditures by eliminating services. This has created a difficult situation because the RAMC could not forecast revenues accurately. As a result, the Department is discontinuing use of the Working Capital Fund in Bangkok and will handle funding in the same manner as RAMC Paris.

When RAMC Mexico was created, it was funded under the State appropriation to create a stable budget for the first years of its existence. Thus far, RAMC Mexico does not provide the full range of services as the other two RAMCs. When it does, it is anticipated to use the same funding procedures as Paris and Bangkok.

ECONOMY OF USING RAMC

Q: It is economical to provide services through the RAMCs:

A: The RAMCs, at this time, provide the most economical way of servicing Foreign Service Posts. The savings accrue by taking advantage of centralized data processing activities. The establishment of the RAMCs allowed the elimination of payroll and accounting clerks at the serviced posts.

RAMC Priorities

Q: Are there any factors regarding RAMC services that should warrant higher priority than costs?

A: The expertise and experience of the FSN personnel supporting the financial systems in Paris and Bangkok are extensive. This expertise will enable us to move more smoothly into establishment of the FMCs.

CONTINUING SERVICE TO OTHER AGENCIES

Q: Are various U.S. agencies operating at overseas posts expected to continue to use RAMCs services given they are increasingly obtaining their own overseas computer capabilities?

A: Yes. Most other agencies overseas are expected to continue relying on financial services provided by RAMCs. There will probably still be a need to provide data processing services to support other agencies' batch operations which exceed the capabilities of the minicomputer equipment.

Minicomputers

Q.60 What has State done to control the procurement and use of minicomputer systems within the Department to prevent unnecessary duplication/proliferation of systems? What use studies has State done to assure that planned procurement is really necessary to meet Department needs?

A: The Department has standardized on single vendor for use both overseas and domestically. The procurement is centralized in the Information Systems Office (A/ISO). Some standard software has been developed by the Department and disseminated to the posts. Software developed at the posts is reviewed by A/ISO and made available to other posts requiring similar applications.

Each procurement request is evaluated by A/ISO. Feasibility studies are required before minicomputer/word processing equipment is procured.

The Asia Foundation

Q: The 1985 request includes $10 million for The Asia Foundation. Other agencies, such as USIA, also include funds for The Asia Foundation in their requests.

--What is the total U.S. contribution to the Asia Foundation broken down by agency providing the funds? How much private funding, and from what sources, does the Asia Foundation receive?

A: Federal agencies other than the Department of State do not include requests in their budgets specifically for The Asia Foundation (TAF). TAF competes for grants out of broader budget items, such as country co-financing funds of the Agency for International Development. TAF may or may not be awarded such grants based on competitive merits.

A three year summary of amounts available for spending from other Federal agencies follows (dollars in thousands):

Agency	83 actual	84 estimate	85 estimate
Agency for Inter. Devel.	3,846	4,310	5,650
U.S.I.A.	189	200	300
Dept. of Commerce	65	75	100
Japan-US Friendship Commission	270	175	150
Total	4,370	4,760	6,200

A three year summary of amounts available from non-U.S. governmental sources follows (dollars in thousands):

Source	83 actual	84 estimate	85 estimate
Corporations	481	600	700
Foundations & Organizations	167	500	600
Individuals	31	50	100
Investment Income	265	250	250
Misc. Receipts	11	50	50
Total	955	1,450	1,700

In addition to these receipts, a three year summary of other elements of TAF's operations are shown (dollars in thousands):

Estimated Value of Donated Books	8,400	8,500	9,000
Asian Matching Grants	4,500	4,800	5,000
Total	12,900	13,300	14,000

Q: Which agency has audit/oversight responsibility for the Foundation? When was its latest report issued? What were the findings of the latest examination?

A: The Department of State has audit/oversight responsibility for its grant to TAF. The latest complete report was issued by the Inspector-General of the State Department in May 1982. There were no serious critical findings. The report notes (p.5) "The inspectors conclude that TAF programs contribute effectively to achieving the goals stated in the grant and to long-range U.S. foreign policy interests in Asia" and (p.19) "The Inspectors noted no instances of wasteful or otherwise questionable expenditures."

Members of the inspection corps of the State Department recently (March 1984) concluded another inspection of TAF. No serious deficiencies were found and, in the personal opinion of the inspectors, TAF's operations are of a high professional caliber.

Q: Do you have a breakdown of the amount of the Foundation budget which goes for administrative/overhead expenses? How would you compare the percentage for such expenses with other grantees? Do you consider the expenses for overhead activities to be too high?

A: The FY 1985 budget for TAF totals $18,500,000 which includes $600,000 carried over from FY 1984. The small carry over allows TAF to maintain programmatic continuity and provides for initial funding requirements at the outset of the fiscal year until appropriated funds are available.

A breakdown of the FY 85 budget follows (dollars in thousands):

Activity	Amount
Program Grants	$13,665
American Salaries & Benefits	2,603
Asian Nationals Salaries & Benefits	623
Other Operating Expenses	1,609
Total	18,500

As the Department of State does not make grants to other organizations or foundations for similar purposes, it is not possible to compare the percentage for overhead expenses with other grantees. However, the Department grant with TAF does contain a clause for a provisional or negotiated rate for indirect costs or operational/administrative expenses. TAF's indirect cost rate fell from 33.6% in FY 1982 to 31% in F" 1983. The rate for FY 1984 is 22.5%. For FY 1985, that rate should remain approximately the same. The Department does not consider the expenses for overhead activities to be too high.

International Organizations

Q: What specific low priority programs has the Bureau recommended be eliminated and what recommendations have been made in the last year which resulted in specific economic savings?

A: We believe it is the responsibility of the Executive Heads of agencies, through their program managers to identify marginal, obsolete and low priority programs and we have consistently pressed them to do this. Our contention has been that as a consequence of the elimination of these activities, better control and utilization of scarce resources should be achieved and program managers will have the needed flexibility to respond to new demands of a higher priority. At the 38th United Nations General Assembly, the Secretary General, in an annex to the draft 1984-85 budget, presented a listing of those program elements which were terminated.

When the United States rejoined the International Labor Organization in 1980, the Cabinet Level Committee on the ILO concluded that the U.S. should play a more vigorous role in shaping the priorities, and the budget, of the organization. In 1981, the Bureau of International Labor Affairs in the Department of Labor undertook an unprecedented project and prepared a comprehensive, alternative set of program and budget proposals for the ILO's 1984-85 biennium. The completed survey was presented to the ILO by a combined State/Labor/Commerce team in September, 1982. Although the results are difficult to gauge, U.S. recommendations to decrease the number of work years at the major program level by 31 work years in the service and support areas were adopted. (The U.S. had suggested a reduction of 52 work years.) Most of the redeployments were from those categories which the U.S. had identified.

In conversations with the new Director of the Pan American Health Organization last year, we suggested that the 6 sub-regional PAHO offices be eliminated. This was done and the $9 million in savings was reprogrammed to country activities.

Just last month (March) at the Geneva Group Consultative Level meeting, the Group agreed to a policy for the second half of the decade which maintained their general commitment to zero real growth and emphasized the need for maximum absorption of inflationary costs and exchange rate fluctuations in the budgets of international organizations.

In this joint policy statement which will be delivered to the Executive Heads of the Specialized Agencies and the International Atomic Energy Agency, the Group encouraged the organizations to "deploy more of their resources from lower priority areas to other sectors, and to eliminate obsolete programs."

Q: What is the current overall ratio or percentage of U.S. national in the I.O.'s agencies? What ratio or percentage are you striving for?

A: As of December 1983, 13,07% of posts in the UN and Specialized Agencies that are subject to geographic distribution were filled by U.S. nationals.

Our general objective is to attain the maximum number of Americans within the Agencies' agreed to ranges. This objective takes into account that:

-- Formulas establishing equitable geographic distribution of posts varies among the Agencies and the UN. These formulas involve various combinations of and/or weighting of the following factors:

geographic grouping
population
financial contribution
minimum level of representation for those member countries who are minor financial contributors.

Q: How many U.S. nationals were recruited and placed in these agencies in the last two years?

A: In the past two years (1982 and 1983), 173 U.S. nationals were recruited and placed in the UN and Specialized Agencies.

Q: How many I.O. agencies have U.S. nationals which meet the agreed to range of U.S. nationals on their staff? How many I.O.s do not meet this range?

A: As of December, 1983, the U.S. attained its goal in the three Specialized Agencies: WIPO, IMO, and ITU. We attained the mid-point of the agreed to range of 407-553 in the UN (482).

We continue to strive to improve proportioned representation in eight Specialized Agencies: ICAO, UNESCO, WHO, IAEA, FAO, ILO, UPU, and WMO.

It should be noted that ICAO, ILO, FAO, UPU and WMO do not have formalized distribution guidelines for their recruitment of professional from member countries.

Q: Discuss with specific numbers, the barriers to such placements of U.S. nationals in the IO agencies.

A: 1. Agencies, in their attempt to exercise a higher degree of fiscal responsibility, are filling fewer vacant positions.

2. Greater tendency to promote from within.

3. Tendency to fill vacancies with nationals from non and underrepresented member countries, regardless of the qualifications of American candidates.

4. Position descriptions sometimes tend to be narrowly defined with few opportunities for generalists.

5. Candidates for most professional posts are required, in most instances, to have advanced degrees and substantial experience in their field.

6. There is a general lack of foreign language proficiency among Americans that is necessary to meet vacancy requirements.

7. Because of academic and/or personal commitments, the time is not propitious for the applicant to consider a post.

8. The age factor is often a consideration since the retirement age in most instances is sixty. The tendency is to appoint candidates who will complete at least five years of service with an agency before reaching that age.

9. Reticence on the part of Americans to relocate outside the U.S.

10. Undesirable location of the post in question.

SECURITY THREAT ANALYSIS ACTIVITIES

QUESTION: The Office of Security maintains a Threat Analysis Staff, whose principal activity seems to be analysis and evaluation of intelligence relative to terrorist activities. I understand that the Bureau of Intelligence performs a similar function. What function does the Threat Analysis Staff perform that the Bureau of Intelligence with its sources of data and analytical capabilities cannot do to provide information on terrorist threats? Can the Threat Analysis Staff in the Office of Security be eliminated, thus saving resources and leaving the anlaysis and distribution of terrorism reports to the Bureau of Intelligence?

ANSWER: The Threat Analysis Group was created in 1976 and is the oldest continuously functioning terrorist analytical group in the U.S. Government. There is a close marriage between this Group and the worldwide tactical/operational elements of the Office of Security. This Group cannot be eliminated without adversely affecting our ability to support our security programs with necessary, up-to-the-minute terrorist threat assessments.

The Threat Analysis Group has the following responsibilities which distinguish it from the Bureau of Intelligence: 1) collection and analysis of tactical information base pertaining to terrorist groups, incidents and personalities; 2) identification and assessment of significant terrorist tactics, techniques, innovations and operations to assist the Office of Security devise appropriate countermeasures; 3) monitoring and assessment of terrorist groups in terms of organizational structure, tactical capability, weapons, training, operational area, manpower, leadership and logistical support structures; 4) monitoring of terrorist and security threats in order to advise posts and policy bureaus of potential dangers to U.S. posts as well as foreign diplomatic missions in the U.S.; 5) preparation of security threat assessments for the travel and protection of the Secretary of State, legally specified foreign dignitaries as well as U.S. diplomatic personnel; and 6) responding to inquiries from American business relative to overseas security threats.

REAL ESTATE MANAGEMENT SYSTEM

Q 64. About five years ago, the Foreign Buildings Office (FBO) was to develop a real property accounting and management information system designed to provide real property inventory control, building management information for costs of maintenance and repairs and accounting for status of funds for FBO activities. Is this system completed, in place, and providing the data needed to manage FBO properties? If the system is not complete, when will it be completed? If it is not complete, how do you assure yourself that the Department's worldwide properties are accounted for? How do you collect costs for each FBO unit for maintenance and repairs of the buildings so that you know whether costs are reasonable or excessive? Who does this and what system is used to provide this information?

A. About five years ago the Office of Foreign Buildings (FBO), in coordination with the Comptroller's Office (M/COMP) developed a real property inventory and accounting system. This system had two components, a work order system intended to capture costs by building and a real property inventory system (Form FS-512) for reporting to Washington. The work order system was tested at post and found to be too labor intensive and cumbersome. It was subsequently abandoned. The form FS-512 was used to report real property holdings to FBO.

Because of the problems with these information systems, FBO contracted with the firm of Price Waterhouse, in September of 1982, to develop and implement a comprehensive Real Estate Management System (REMS) in coordination with the Department's Financial Management System (FMS). FBO's information requirements were reviewed in 1983 and, based on that review a new system was designed. This system has the following sub-systems:

- -- Building Inventory
- -- Work Orders
- -- Capital Projects
- -- Property Accounting

The FBO Worldwide Building Inventory sub-system is complete and will be operational in FBO in April, 1984. This system collects information on the physical characteristics of buildings, their ownership, lease terms and, as detailed below, their costs. The system also collects information on major building systems, such as roofs and heating, their dates of installation and projected life.

The installation of the Post Building Inventory and Work Order systems will begin in Paris, the pilot post, in June, 1984. The Post building inventory system provides post level information on leasing, building utiliztion, and agency space allocation. The Work Order system assists post personnel in managing unscheduled and preventive maintenace operations. It will report activities by building. These post systems will be installed at about twenty posts in Fiscal Year 1985.

The Capital Projects system will be programmed this summer and will replace FBO's current automated system in October 1984.

FBO does not currently have a system to collect operating and maintenance costs for each building. The REMS accounting sub-system will take in cost data from the Department's Financial System (FMS) and allocate those costs to individual buildings and capital projects. As this system is dependent on FMS, it will be programmed and installed when FMS is operational.

INSPECTION OF U.S. GOVERNMENT PROPERTY

Q. 65. We recognize the need to protect U.S. Government investments in State Department overseas real estate. How often is a systematic property inspection conducted and evaluated by technically qualified personnel? Are there specific maintenance and repair criteria priorities and time frames used to protect properties from deterioration or is maintenance postponed until the buildings are in such bad condition that maintenance is forced on the building?

--During 1984, how many properties were systematically inspected and evaluated?

--Was the maintenance and repair criteria applied as a result of the inspections? If not, why not?

A. Inspection of overseas real estate is presently being done about every two years by FBO Area Officers, architects, and engineers, at which time post's major maintenance needs are assessed. These inspections, however, have not produced the kind of systematic analysis needed to determine the overall maintenance and repair requirements for all USG properties. Specific preventive maintenance tasks and frequencies for local accomplishment were implemented over the course of the last five years at forty of the largest posts using the commercially available PMAS system, which was valuable in training post employees in maintenance inspection criteria. These posts will be transitioned to the Preventive Maintenance System which is a part of the Real Estate Management System (REMS) discussed above. Additionally REMS includes buildings system data which will direct post and FBO management attention to key building components as they begin to age and require repairs or replacement.

A new FBO Maintenance Section consisting of qualified maintenance engineers/inspectors is currently being staffed. Detailed facility inspections will begin on a prototype basis in Africa in mid-1984 and will evaluate approximately 35 posts. Based on this continuing evaluation program, a technician team will visit those posts requiring assistance to accomplish the needed maintenance. Reinspection is planned to be accomplished on a two year cycle, well before the facilities can deteriorate to an unacceptable condition.

TRANSFER OF FOREIGN POLICY FILES TO PRINCE GEORGES PLAZA

Q The Bureau of Administration budget shows a continuing increase of $156,000 annually due to the transfer of foreign policy files to Prince Georges Plaza. These files could not be transferred to the National Archives because of the Department's inability to conduct requisite declassification reviews. Did the Department pursue all available means of dealing with this problem? Is the action taken the most cost effective solution? Why is the Department unable to conduct the declassification reviews so that the materials could be sent to the Archives? If this could be done, wouldn't the $156,000 recurring annual cost be unnecessary? Was the possiblity of alternative storage/retention modes explored?

A The principal reasons for transferring the foreign policy files to Prince Georges Plaza are to make critically needed space available to accommodate the installation of a new agency telephone system and additional communications control equipment to support the Department's worldwide telecommunications system.

It is not practical to transfer the files to the National Archives at this time because of the heavy usage and recall by the Department to meet operational and program requirements, respond to FOIA and Privacy requests received from the public, and to be available to Department historians to compile and publish the Foreign Relations Series of the United States.

Under Executive Order 12356 (Classification/Declassification of National Security Information) the files are not yet eligible for systematic declassification review. Further, there is little likelihood that any significant volume of material could be declassified at this time since the majority of the files cover contemporary foreign policy issues, diplomatic relations with foreign governments, and other sensitive international matters.

The Department, in consultation with GSA considered various alternatives and sites before settling on the Prince Georges option. The Prince Georges site in comparison with other sites that were surveyed required limited structural changes and minimal costs to meet security considerations. Further the site also has the potential of resolving other records storage problems involving the Passport Office and the Office of International Organizations which the National Archives has not been able to accommodate because of limited resources at federal records centers.

After careful consideration, it was determined that transferring the files to Prince Georges Plaza would have the least disruptive effect on Department operations and personnel.

International Communications Policy

The Supplemental Appropriation request for the current year includes additional positions for the Office of the Coordinator for International Communication and Information Policy " to strengthen Departmental leadership in this vital foreign policy area as mandated by Executive Order 12046."

Q: a. What will the increased staff enable the coordinator's office to do in the future that has not been done in the past?

A. The additional positions provide more depth of technical and political expertise, administrative and substantive support for conference preparations, more detailed interagency coordination and broader in depth coverage of the issues. This means increased overall effectiveness in carrying out the Department's foreign policy mandate in this area.

Q: b. Along with the increased staff capability will the Office of the Coordinator be given more authority for policymaking both within the Department and outside it?

A: There is no direct connection between the additional positions and an increase in the Coordinator's authority. Obviously an augmented staff will permit the Coordinator to carry out the previously assigned responsibilities in greater depth and efficiency.

Q. c. How will the Department assure that these staff additions enhance the continuity and technical expertise of the coordinator's office to better exercise its policymaking authority?

A: The Department is now considering the recommendation of an internal management study designed to make the best use of the increased staff of the Coordinator's Office and its other resources in the communication and information policy field. It is the Department's intention to ensure that the policy-making authority of the Coordinator is maintained and enhanced.

Q: d. Will these additional staff members enable more and earlier State Department participation in preparations for international telecommunications conferences to better anticipate and influence other nations' positions on conference issues?

A: The additional staff will make possible earlier and more in depth Departmental and interagency preparations for international telecommunication conferences. The Coordinator recently appointed a full time Executive Director to the U.S. Delegation to Space WARC '85. With the additional positions, he will be provided with a full-time secretary and a technically-qualified staff to assist him in the preparations for this important and technically complex conference. Similarly, a Foreign Service Officer has been selected to devote full-time to bilateral consultations on communication issues, not only in preparation for conferences but as a regular feature of our overall relations with key developed and developing countries. Other recruitment now underway will further strengthen the Department's conference preparatory ability, and allow the Department to play a more active role in interagency policy formulation.

Q. e. Page 3-4 of the budget submission notes an increase in positions for the coordinator's office (T/CIP) from 9 in FY 1983 to 18 in 1984 and 1985. How does this reconcile with the request in the supplemental for 11 additional positions?

A: This discrepancy was corrected by the Department (M/COMP).

Q. The State Department budget now provides funding for at least five separate offices with major responsibilities for the U.S. role in international telecommunication organizations. (1) The Coordinator for International Communication and Information Policy reporting to the Undersecretary for Security Assistance, Science and Technology; 2) the Office of International Communication Policy, and 3) the Deputy Assistant Secretary for Transportation and Telecommunication--both in the Bureau of Economic and Business Affairs; 4) the Office of International Conferences in the Bureau of International Organization Affairs; and, 5) the Office of Legal Adviser.)

a. Is the present arrangement conducive to smooth and effective policymaking and participation in international telecommunication conferences?

A. The Department of State is aware of the increasing importance and complexity of international communications as reflected in the work of international telecommunication conferences. In recognition of a need to ensure that the U.S. effectively represents administration policy in these conferences, the Office of the Coordinator for International Communication and Information Policy was established. The Coordinator's office has added a necessary new capability in the development of broad policies and oversight of U.S. participation in internatonal fora. Preparations for recent World Administrative Radio Conferences (WARCs) have demonstrated that the various bureaus concerned with international communication within the State Department contributed their respective expertise to achieve coordinated and thoroughly consistent U.S. policy positions.

b. Since the coordinator's office was recently established to improve policymaking, should consideration be given to consolidation of functions for the sake of economy and coordination?

A. Currently the Department of State is conducting an extensive review of the formulation of international communications policy. The review will include a careful look at all of the factors which are relevant in order to insure that a consistent and unified approach to international information and communications policies is achieved.

INTERNATIONAL TELECOMMUNICATION UNION

Q. At the international conference in Geneva last summer on the new broadcasting satellite service, the United States proposal for the important satellite power level standard unexpectedly lost by a vote of 12 nations against and 9 in favor.

a. What political advance work from experts in other State Department offices did the U.S. delegation and coordinator's office receive to anticipate and possibly win more support for the U.S. position?

A. Prior to the ITU's Region 2 conference to plan Broadcast Satellite Service in the Western Hemisphere, several members of the US Delegation conducted bilateral consultations with Brazil, Canada, and Mexico, and attended various international meetings. In addition, discussions with other delegations were held during the meetings of the Latin American Telecommunication Organization (CITEL) at Lima.

Early in the BSS Conference, the nature of the opposition to the US preferred values on power flux density was known. It was the view of the US delegation at Geneva that US interests were better served by arguing the technical merits of the US position at the Conference.

As the Congress is already aware, there is close coordination between the technical experts and the Department throughout the preparatory stages for all ITU conferences. One step has been in improving our preparations has been to centralize conference preparations in the Department's Office of the Coordinator for International Communication and Information Policy. We now assign Foreign Service/foreign policy advisers with both bilateral and multilateral experience to assist in the preparation and serve on US delegations. Prior to the major ITU meetings, as appropriate, we instruct our Embassies around the globe to make demarches to bring the US position on the principal issues to the attention of host government's's.

The success achieved by the US delegation to the first session of ITU conferences on High Frequency Broadcasting reflects the effective use of all our resources in promoting US interests. Teams of diplomatic and technical experts traveled to major regions of the world to exchange views. Such consultations contributed to an acceptance of many of the US positions at these conferences and prevented irrelevant, political issues from marring the proceedings.

INTERNATIONAL CONFERENCES AND CONTINGENCIES

Q. 70. In the request for the International Conferences and Contingencies appropriation, detailed on page 41-2 of the budget, funding for participation in international conferences has fluctuated from an actual total of $6.8 million in FY 1983, to an estimated $9.4 million in FY 1984, to a request for $8.8 million in FY 1985.

a. Please explain the reasons for this fluctuation.

b. How are these changes in funding requirements estimated by the Department? What information does the Department have on the future conference schedule and required resources for participation?

c. How firm is the estimate for FY 1985?

d. How has this funding request been coordinated with the other agencies, such as the Federal Communications Commission and Department of Commerce in the telecommunications area, which are jointly responsible for preparations and participation in these conferences?

e. How does the Department determine in advance what portion of the preparation and participation costs it will fund for a given conference? Is agreement sought in advance from other involved agencies?

A. a. The fluctuations in the International Conferences and Contingencies Appropriation are caused by several factors, particularly the inevitable unforeseeable variations in conference activity. Some conferences that were expected to occur in FY 1983, in fact did not. Other conferences, such as those relating to the Law of the Sea, we did not attend for policy reasons.

The cumulative effect of decreased conference activity was to decrease actual expenditures in FY 1983. In FY 1984, in addition to the usual conference activities, this Appropriation will fund the cost of the Congressional hostship of the 31st Annual Meeting of the North Atlantic Assembly, for which $450,000 has been authorized, and the hostship of the Spring North Atlantic Council Ministerial. The FY 1985 request does not include funds for these hostships and, therefore, is less than the FY 1984 request.

b. The changes in funding requirements are estimated based upon the best available information at the time. As new conferences are announced and others dropped, in response to international events, the estimates are revised.

c. The FY 1985 estimate is precisely that -- an estimate. Information on future conference activity is often tenuous as it relates to specific meetings. However, in the aggregate the level, nature and resources required for participation will tend to be fairly accurate. It should be noted, however, that it is in the very nature of international conference activity that complete precision is unattainable. This is dramatically demonstrated by the fact that in the twenty years preceding the designation of this Appropriation as a "no-year" one, fifteen supplemental appropriation requests were required.

d. This Appropriation funds basic participation in international, multilateral conferences by all Government agencies, including the Federal Communications Commission and the Department of Commerce. Pre-conference preparations are not funded by this Appropriation but rather by the funding sources of the substantive activities concerned. Our request for funding is based upon all information available at the time the request is prepared, including information from interested agencies.

e. As noted above, pre-conference preparation costs are not borne by this Appropriation. Such preparations may involve months and even years of work and are funded by appropriations to the substantive bodies concerned. Participation costs, such as the shared conference costs paid to international organizations, are funded exclusively from this Appropriation. Other costs, such as travel, per diem, representation and conference support costs, are largely funded by this Appropriation. On an individual conference basis, we consult with other agencies with respect to the extent of the funding of participation costs that are provided.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

Emergencies in the Diplomatic and Consular Service

QUESTION:

In our Report No. 98-206 last year, we registered our concerns that the appropriations had not always been used for emergencies.

What have been the expenditures to date in fiscal 1984 in terms of the major categories established in the 1984 Authorization Act?

ANSWER:

The Emergencies in the Diplomatic and Consular Service Appropriation is a Confidential Appropriation and the detailed expenditures information by categories is classified. This information can be provided in Executive Session or discussed informally with Member or Committee Staff, as desired. As of March 31, 1984, a total of $1,851,000 had been allotted in FY 1984 for expenditures in the major categories established in the 1984 Authorization Act.

QUESTION:

When will the Inspector General make the annual study called for the Authorization Act?

ANSWER:

The Inspector General has scheduled the annual study of this appropriation, called for in the Authorization Act, to take place in September, 1984.

SECURITY AT POSTS ABROAD

Question:

The Security Enhancement Program (SEP) was designed to deter mobs taking over our posts. We now face a new threat -- vehicular bombs. Does the Department view this as a change in threats, or an additional threat? In other words are you changing the direction of the SEP in view of bombings of the Embassies in Beirut and Kuwait?

Answer:

The terrorist threat to our missions and personnel is a dynamic one. It has evolved from the small terrorist group attacks in the mid-70's to mob action in the late 70's to kidnapping, assasination, and vehicular attacks today. Our counter terrorist program is also dynamic. We have not changed the direction of the SEP, but we have added new systems and established new procedures designed to make it more difficult to breach the perimeters of our missions abroad.

QUESTION: Following the Kuwait bombing, the posts were urged to construct bollards and other preventive measures to vehicular bombs. The Department indicated that it would try to assist with these measures to the extent it could.

A) Have all requests from posts for funds to construct these deterrents been approved?

B) Are there any such requests that have not been approved because the Department doesn't have funds available? If so, at which posts and what is required and in what amounts?

ANSWER: Following the Kuwait bombing, the Office of Security established a task force to respond to requests for perimeter protection world wide. All requests have been acted on.

There are no requests pending for preventive measures against vehicular bombs that have not been approved for lack of funding.

USIA SECURITY FUNDING

QUESTION: The USIA has submitted a reprogramming request of $400,000, as well as a 1985 budget increase of $584,000 to strengthen the security of their posts overseas. They tell us that they have 137 locations seperate from State facilities and that State doesn't give them proper attention.

A) Does State agree with this professed need?

B) If we made the necessary funds available to State, instead of USIA, are we assured that they will go to USIA's facilities?

ANSWER: The Department concurs that there is a need to strenghten and improve the security of USIA posts overseas. In order to ensure compatibility of security equipment used to protect State and USIA missions, we recommend that the funds requested by USIA be allocated to State.

This arrangement has been very successful in the past: beginning with the 1973 Counter Terrorism Supplemental and more recently with the European Security Supplemental. The funds are administered and controlled by State and disbursed upon request for USIA security improvements.

If these funds are given directly to USIA, coordination with the Office of Security in Washington and its regional security officers in the field is necessary to guarantee the program's effectiveness.

Question:

We often hear that the SEP moves too slowly. It takes two years or more to get the enhancements underway at the embassies after they are recommended. Is that a fair criticism?

Answer:

No. It is probably more accurate to say that the SEP through much effort has reduced the time that it takes to complete a project to two years.

Those aspects of the enhancement project which can be done by the Embassy with funding from Washington are started immediately. These include improvements to perimeter walls, installation of vehicular barriers, installation of shatter resistant material on windows, installation of grilles on windows, microfiching of classified documents, installation of destruction equipment and similar elements to the project. Depending on the post's initiative, these aspects can be completed within a few weeks to several months after the initial survey.

The more complex and technical elements of a project require additional time. For example: the design engineering package for the Marine Security Guard booth includes electronic surveillance equipment, electronic locking devices and other sophisticated equipment. The architectural and electrical design of this material takes several months to complete. The same is true of the sophisticated communications and electronic storage equipment that are an important part of the Enhancement Program.

Once the design is complete, the equipment must be purchased and shipped to the post. Lead time for fabrication and shipping can be between five and ten months. Finally, construction for most of the projects takes from six to eight months.

When all of the above are factored together, twenty-four months is not an unreasonable length of time.

ORGANIZATIONAL STRUCTURE OF THE ENHANCEMENT PROGRAM

QUESTION: Are you satisfied that the present organizational framework of the SEP is satisfactory? We sense a frustration that the Security Office is getting a bad rap for decisions that they do not make. Who is actually in charge of the SEP?

ANSWER: The Department is satisfied with the present organizational framework of the Security Enhancement Program (SEP). The Director of the Office of Special Programs and Liaison (A/SPL) is directly responsible for the SEP. The Office of Security as well as the other participants of the SEP -- Office of Security, Office of Communications, Office for Operations and the Office of Foreign Buildings -- work closely with A/SPL to ensure the program's success and effectiveness. The participating offices are centrally managed and guided by the Assistant Secretary for Administration.

PAMAMA CANAL STUDY

#1
Q: I have always assumed that an early feasibility study for a new canal was in the U.S. interest, and assume the President agrees since you are requesting FY 85 funds to proceed. How do you respond to the point of view that recent reductions in canal traffic make a study now premature?

A: A study of this type, whish is essentially a long-range planning effort, is time consuming. Short-term fluctuations in traffic are not necessarily relevant. The Study will not begin before 1985, and will take from four to five years to complete. Its recommendations will not be ready for consideration by the governments involved much before 1990 under the most optimistic schedule. It is unlikely that a recommended project could be completed much before the year 2000 at the earliest; a major project could take longer. We need, therefore, to begin the Study soon.

We have little to gain by waiting, in terms of what a later study might tell us. The Study must look at demand well into the next century. Even a delay of several years would add little to the ability of technical experts to do a better job than they can now.

#2
Q: I commend the Department in involving Japan in the Study and believe it is in our interest to involve other of our allies as well in sharing the Study cost and perhaps the cost of some project. Why are our European allies not involved? Is there anything you can do to encourage their participation?

Q: We have hope that the number of participating countries will be expanded beyond the U.S., Japan and Panama. We have discussed the Study with a number of our allies on an informal basis, and have also raised with the World Bank and Inter-American Development Bank the possibility of their involvement as well. We have received a number of fairly positive responses, particularly from the Netherlands, and we will be pursuing these further. The Banks have also expressed an interest, although the nature of any possible assistance has not yet been determined.

#3
Q: The Panama Canal has a long history of strategic importance to the United States and its allies. Before making any decisions about how the Canal should be modernized, the Congress will want to know the defense implications of choosing one alternative over another, or even of choosing to do something as opposed to nothing. What is the role of the Navy and other elements of the Department of Defense in the Study? Have there been discussions with our allies about the defense implications of the Canal project?

A: We agree that the defense considerations of any project will be important to the United States in considering its feasibility. We have had only the most general discussions on this subject with our allies thus far. At some future point further and more detailed discussions will be necessary. The Department of Defense is involved in preparing for the Study. If I may, I would refer you to Defense for a more complete answer regarding the precise nature of participation by the Navy and other Defense elements.

#4
Q: How will the Study be managed so that it can draw on the best private sector expertise and yet preserve our vital interests? What government oversight do you envisage?

A: The Study will be supervised by Commissioners representing the participating governments. Day to day operational responsibility will be assumed by a small number of government experts (2 - 3 per government). The Study itself will be carried out by the private sector, in our view the best and most efficient way to do that. This will include relying on the private sector for much of project management and for much of the analysis required for the final report as well.

#5
Q: I understand that the State Department is considering the establishment of an advisory committee on the Study to provide it with a broad range of expert opinion about the many issues of public importance which the Study must examine. How do you see this committee functioning, and what type of people would you seek as members.

A: For some time we have been aware of the need to broaden public awareness of the Study and to draw upon the vast amount of expertise available in the United States on the subject. We see this as useful not only in these preliminary stages, but throughout the Study period. In our view the best way to do this would be the creation of an advisory committee made up of key members of the private sector with experience and expertise relevant to the Study.

The Department is already in the process of drawing up the necessary documentation and in determining the probable costs of such an activity. We have also begun to identify candidates for the committee from corporations, academia, state and local governments, and from among retired Federal Government officials. We hope to be able to have the committee in place within the next few months.

Ambassador to the Vatican

Q: Why have we gone to all this unconstitutional fuss and bother and still not have an Ambassador within the Vatican.

A: Our Ambassador, like those from the 107 other nations which maintain diplomatic relations, will be accredited to the Holy See, the internationally recognized sovereign entity which is represented in observor status at such international organizations as the UN and the OAS. The Holy See has entered into international treaties, some of which the U.S. has also signed. Vatican City is an independent city state, under the jurisdiction of the Holy See. The Holy See is in effect the government with which our embassy will deal.

The Congress recently repealed an 1867 statute which stated that federal funds could not be used for a diplomatic mission to the Vatican.

The embassy, while not located within the confines of the Vatican City, is very close to it.

Q: It was my impression that the Administration values this embassy as a listening post. How can we listen if we are not in the Vatican.

A: The Holy See maintains a diplomatic presence and has a wide influence and unique access in areas of great interest to the U.S. Vatican diplomats and officials are not simply observors or moral guides, but play an active role in international political affairs.

The upgrade of our presence to an Embassy will facilitate these contacts.

Q: Where will the embassy be located and how far will it be from the Vatican? How does that compare with the distance of our embassy to Italy from the Vatican?

A: The embassy is located across the street from the Vatican City on Piazza Giovanni XXIII about two blocks from St. Peter's. The embassy to Italy is somewhat further away also in Rome, about a 45 minute drive in city traffic from the Vatican City.

Q: I understand that the Ambassador will use the residence formerly assigned for the envoy. Please describe the size and location of the residence and when it was acquired?

A: The residence has been personally leased by the envoy since 1981 while in Rome in his capacity as personal envoy. It is a modest 3 bedroom house located on the grounds of the American Academy in Rome close to the Vatican City.

Q: Mr. Wilson, as envoy, reportedly made 6 trips a year to the Vatican. How many days a year did Mr. Wilson actually spend at the residence while serving as the President's envoy?

A: The envoy made 6 trips in 1983 for a duration of 6 to 8 weeks each trip during which he stayed at his residence for a total of more than 300 days.

Q: What's the annual rent of the residence and when was it acquired?

A: FBO leased the residence effective January 10, 1984 for an annual rent of $46,662. Before that date it was leased by the envoy personally.

Q: Why does the Administration support an Ambassador to the Vatican and oppose moving the U.S. embassy from Tel Aviv to Jerusalem where the Government is located?

A: The status of the Vatican City as an independent city state governed by the Holy See has long been recognized by the Italian state, as well the international community and international law.

Whereas, Jerusalem's ultimate status is a highly complex and emotional issue, critically important to the peace process. It can be resolved only in the give and take of negotiations. Therefore, it has been a fundamental policy of the United States for thirty years that there must be no unilateral action that would prejudice a negotiated resolution of the status of the city.

For this reason, the United States has maintained its embassy in Tel Aviv, as virtually every other government represented in Israel has done.

CAIRO RESIDENCE

In fiscal year 1977 the Congress approved the Department's requested $2,275,000 to construct a 19,500 square foot Ambassador's residence in Cairo. Construction began on June 5, 1979 pursuant to a contract with the Egyptian firm El Abd.

Our staff viewed the still unfinished residence in early January and reported that $3,100,000 has already been spent on this project and that the estimates are that $930,000 is still required. They also found that the interior of the house was completely torn up because all the pipes were being replaced due to faulty installation by the original contractor. They were told that the FBO person assigned to this project had allowed the walls to be plastered before the pipes were pressure tested. The house was a complete mess inside.

There is no more outspoken critic of this project than Ambassador Veliotes in Cairo. However, the staff calls the house an ostentatious "palace on the Nile" and "Son of Casa Grande."

1. Mr. Secretary, what are your overall views of this project? Do you think this is the type of place we should be building for our Ambassadors to live?

A. I am concerned that the project has not been completed on time and within the funds appropriated for the project. I have instructed the Department of State's Inspector General to investigate thoroughly the project and determine the extent of responsibility of the Department's officials in this matter.

Although the residence in Cairo is a little larger than our new space standard for a class 1 residence, I believe that it is appropriate for the American Ambassador to Cairo. As you know, the residence is used for large representation functions, quarters for visiting senior US officials, living quarters, and a safe haven for the Ambassador.

2. How did this project get up to $3,100,000, or $825,000 over the original estimate without a reprogramming request being submitted to this Committee?

A. As I mentioned earlier the project is now subject to a thorough investigation which will also include the question of the lack of formal reprogramming.

3. During the construction of the new residence, what amount of presence did FBO have in Cairo?

A. FBO had a total of four full-time project managers in Cairo during the period of construction of the Ambassador's residence. However, only one at any given time had responsibility for the residence. The others were responsible for other projects in Cairo.

4. Was Frederick N. Gulden the only FBO presence in Cairo?

A. No, the following FBO project managers were assigned to Cairo on over five different projects under construction since August 1979. They were:

Mr. Fred Gulden, served from August 1979 until July 1983

Mr. Gregory Pirro served from July 1981 until present.

Mr. Thomas Frisbie-Fulton served from September 1983 until present.

Mr. Joseph Toussaint served from September 1982 until present.

5. Is it correct that in September 1982, FBO Project Manager Joseph W. Toussaint was designated to have direct responsibility for this project?

A. Yes.

6. How much of the over-run is attributable to Mr. Gulden's period of supervision and how much after Mr. Toussaint assumed responsibility?

A. These questions will be answered by the investigation.

7. When did the Office of Foreign Building Operations first realize that something was amiss with the new residence?

A. FBO recognized early on in the project that it had difficulties with the residence but the magnitude of these problems did not surface until mid-1983.

8. Which FBO personnel in Washington had responsibility for the new residence project?

A. The question of responsibility for the project in FBO/Washington will be determined by the investigation.

9. It has been alleged that FBO/Washington was "incapable of any thought or action that might conflict" with the Architect-Engineers. Further, it is alleged that FBO/Washington did not have a complete set of the contract drawings for the project and issued directives for a number of years without the benefit of the drawings. Are these normal practices at FBO?

A. The investigation will bring to light any deviations from normal practices in FBO.

10. Since June 2, 1979, how many trips did FBO/Washington staff make to Cairo?

A. FBO/Washington travelled to Cairo on 49 occasions but all of these trips were not necessarily connected with the residence project.

11. When did any of the above trips result in any concern about the construction of the new residence?

A. Again, the questions concerning the adequacy of project supervision will be determined by the investigation.

12. Under Secretary Spiers cabled Ambassador Veliotes last December 16th that, "FBO realizes that construction supervision of the residence was inept and poorly managed from the beginning." Taking that statement on face value, why wasn't something done about the supervision of the project much earlier if it was realized from the beginning?

A. At the time Ambassador Spiers cabled to Ambassador Veliotes FBO had realized the magnitude of the problem and was taking steps to stop the project and to determine what action should be taken.

13. What actions has the Department taken with regard to the individuals in Cairo and Washington who were responsible for this project?

A. Any actions against those officials in Cairo and Washington with responsibility for the project will be determined by the outcome of the investigation.

14. Does this experience in Cairo indicate that FBO has more business than it can properly supervise? If so, how many more supervisors would be required to properly supervise FBO's current projects? Conversely, how much of the current FBO workload should be deferred so we have sufficient supervision by the present FBO staffing level?

A. One of the functions and actions of the investigation will be to determine what must be done in order to prevent this type of situation from recurring in future projects.

PASSPORT SECURITY

Q. There is a $1,100,000 increase in the 1985 estimates to enhance the durability and security of passports.

1. Please explain how that is to be accomplished?

2. For several years Mr. Ned Whitehead of Alexandria, Virginia, has been in contact with the Committee about his concerns about the security of the INS identification

cards. Is the Department aware of Mr. Whitehead's identification system and are you considering it in connection with the passport security request?

A. 1. The CA Bureau with the assistance of the GPO has been surveying ways to assure durability sufficient for ten years of use, and to minimize the threat of counterfeiting or alteration of the U.S. passport. Our surveys include paper quality, cover stock quality, seal material and adhesive process, ink types, binding material and process, and watermarks.

Specific possibilities which are being looked at solely for improvement of physical security of the document include, uses of florescence, variable page/watermark design, enforcement of exact standards in color, paper, etc., higher quality printing methods, use of holograms. Other improvements are also under intensive review.

A. 2. The Department is aware of Mr. Whiteheads identification system and will consider it along with many other possibilites for incresing the security of the passport.

Increase for Airfares

Q. Please display for the record the air fares today, and those in effect one year ago between Washington and the 10 highest destinations for Departmental overseas travel.

A. The following foreign cities are representative of the ten most frequent destinations from Washington, D.C. for American Foreign Service employees on assignment to diplomatic posts:

Comparative Air Fares from Washington, D.C. to Selected Destinations for 1983 and 1984

	Air Fare	
Washintgon, D.C. to:	March 1984	March 1983
Paris, France	$891	$740
Frankfurt, West Germany	844	609
London, U.K.	716	464
Manilla, Phillipines	1,050	1,050
Tokyo, Japan	996	996
Dehli, India	1,312	1,277
Rio de Janeiro, Brazil	1,103	815
Mexico City, Mexico	269	293
Athens, Greece	943	829
Rome, Italy	898	751
TOTAL	$9,022	$7,824

Percent increase of 1983 to 1984 =.15%

Source: Official Air Lines Guide March 1983, 1984. Air fares are single one-way economy fares. It should also be noted that most discount fares are for round trips and that nearly all post assignment travel is one-way travel.

Q. If we denied the increase for air fares, and if your assumptions are correct, that would mean absorbing about 1 trip in 10. In view of the extraordinary efforts to reduce the overall deficit, could not the Department give up 1 trip in 10 to help the effort?

A. The Department's travel budget is rigorously reviewed. Increases beyond inflation are only allowed for specific program purposes. Moreover, the major categories of travel, including Post Assignment Travel, are relatively uncontrollable. The suggested reduction would significantly hamper the Department's ability to provide effective diplomatic and consular services.

1984 SUPPLEMENTAL

Q: What date of enactment of the appropriations was used in determining the supplemental estimates?

A: The Department did not use a particular date in determining supplemental requests. Funds for salaries and benefits were requested for 30% of the year. Funds for operating and building costs were requested according to the requirements for obligations during 1984.

Q: Why are there varying lapse rates used in the supplemental estimates?

A: Lapse rates used in the determination of the supplemental estimates apply only to personnel costs. Other costs were calculated on the basis of requiremnts for obligations in 1984.

Q: How much can be deducted for each week enactment if the supplemental is delayed past that date?

A: The only significant costs that would be affected are salary expenses. Using a July 1, 1984 as an enactment date, approximately 8 percent in salary costs could be deducted for every week approval is delayed. The operating expenses that are associated with the supplementals are realitively fixed and a delay in enactment would not significanly reduce costs.

Grenada Supplemental

Question: The Grenada item includes a lapse of only 25%, more than that much of fiscal 1984 had already lapsed before the estimate was transmitted. Is the Department putting on these 16 people before the supplemental is enacted?

Answer: The Department of State notified Congress of its intent to open a post in St. Georges, Grenada in a reprogramming letter dated November 16, 1984. Department of State personnel were present on temporary duty status in Grenada since the invasion. Because of the high priority placed on this requirement positions were identified for reprogramming and permanent personnel have been assigned. A full mission is functioning on Grenada at the current time.

Position cost estimates in the Grenada supplemental have been lapsed 70%. The identification of a 25% lapse rate reflected in the justification is incorrect. Full year cost is $728,000.

CDE Supplemental

Q. Please provide a biographical sketch of the U.S. Representative to the Conference on Confidence and Security Building Measures and Disarmament in Europe(CDE).

A. James Eugene Goodby, born on December 20, 1929 in Providence, Rhode Island, is a career Foreign Service Officer, who was educated at public schools in Massachusetts and New Hampshire and graduated from Harvard College in 1951. Following graduate study at the University of Michigan, he served from 1952 to 1953 as a 2nd lieutenant in the United States Air Force and later continued graduate studies at Harvard University.

Mr. Goodby entered the Foreign Service in 1952 and transferred to the United States Atomic Energy Commission in 1954. While at the AEC, he took part in several international negotiations relating to nuclear arms control and cooperation in the civil uses of nuclear energy.

In 1960, he moved to the Office of the Special Assistant to the Secretary of State for atomic energy, specializing in nuclear arms control matters. With the creation of th U.S. Arms Control and Disarmament Agency, he became Officer-In-Charge of the nuclear test ban negotiations. Those negotiations resulted in the first major arms control treaty since World War II.

Following service as a member of the State Department's Policy Planning Staff, Mr. Goodby was assigned in 1967 as First Secretary to the U.S. Mission to the European Communities in Brussels, where his major concern was the nuclear non-proliferation treaty, under negotiation at that time, and U.S. relations with Euratom, the atomic energy component of the European Community.

After service again in Washington from 1969 to 1971 as Officer-In-Charge of defense policy affairs in the Department's office for NATO affairs, he returned overseas to serve for three years as Counselor for Political Affairs at the U.S. Mission to NATO in Brussels. In that role he negotiated common positions with the Allies, including those involving the Conference on Security and Cooperation in Europe, Mutual and Balanced Force Reduction, and the 1974 Ottawa Declaration of Atlantic relations.

He subsequently served as Deputy Director of the Bureau of Military Affairs from 1974 to 1977, with responsibilities for SALT, other arms control negotiations and various defense policy issues.

He served as Deputy Assistant Secretary of State for European Affairs from 1977, handling United States relations with countries of the northern and central Europe. He has also handled European regional political and security affairs, inwhich capacity he has been responsible for the follow-up to the Helsinki Accords (the Conference on Security and Cooperation in Europe).

Mr. Goodby served as Ambassador to Finland in 1980-81.

In 1982-83, he was Deputy Chairman of the U.S. Delegation to the Strategic Arms Reduction Talks (START) in Geneva. In September 1983, President Reagan nominated Ambassador Goodby to be Chief of the United States Delegation to the Conference on Confidence and Security Building Measures and Disarmament in Europe (CDE).

He is married to the former Priscilla Dean Staples. They have two children, James Laurence and Sarah Walcott.

1984 Supplemental

QUESTION:

The reporting and analysis request for 146 additional positions includes 4 for Beirut. The President withdrew the Marines; why are we adding diplomats?

ANSWER:

The Department's request represents the best evaluation of future needs at the time it is submitted. At the time we requested the additional R&A positions for Beirut we anticipated a diminished threat to the physical security of American personnel, and a requirement to intensify contacts with the country's actual and potential leaders in the political, military, economic, and intellectual arenas. The essential justification for those positions remains valid. In view of the present security situation and continued instability in Lebanon, a final review will be undertaken prior to the actual establishment and staffing of new positions.

QUESTION:

Why can't the liaison with the Lebanese military be performed by the Marines instead of State personnel?

ANSWER:

The mission of the U.S. Marine Corps detachment in Beirut is limited to the protection of U.S. Government classified material and, when necessary, the protection of U.S.G. personnel and property. The Marines do not perform diplomatic and liaison duties. Those are the responsibility of Foreign Service personnel and are normally carried out on the working level by Embassy political and political/military officers.

1984 Supplemental

QUESTION:

What is the justification for the additional officer and secretary at Amman; as well as the officer for Jerusalem? Our staff visited both posts in January and found no urgent requests for additional staff.

ANSWER:

The requests for additional reporting and analysis positions in Amman and Jerusalem are long-standing and the justifications for them remain valid. Jordan continues to receive high level attention from the U.S. Our government's focus on the area, our shifting bilateral relations, and hope that Jordan will influence progress toward peace in the Middle East all place major operational and reporting demands on the political section, which we cannot handle with our present staff. We need an additional officer who can report systematically on the background of the country's involvement in Arab-Israeli affairs and the Palestine issue; e.g., political life outside the court, educational and social developments. The need for an additional officer to supplement the reporting presently being done continues to exist. The secretarial requirements in support of the economic section are so acute that we have authorized hiring a U.S. Government employee's spouse on a temporary basis while awaiting approval for the permanent position.

The position in Jerusalem, requested to augment political and economic reporting and analysis, is needed particularly to enhance the reporting of the economic activity and "quality of life" on the West Bank, subjects of increasing interest to the U.S. Government. The post is not well equipped at present to cover these subjects as there is no officer familiar with economic affairs.

QUESTION:

The staff reported that most Near East posts they visited thought they were already reporting more information than the Department could analyze. What would the Department think of appropriating only the additional personnel for the Bureau of Intelligence and Research in the supplemental?

ANSWER:

There is a clear need to augment the Department's domestic reporting staffs in order to analyze and effectively use the information provided by overseas posts. The positions for the Bureau of Intelligence and Research as well as those for country desks and functional bureaus like Economic and Business Affairs and Oceans, International Environmental and Scientific Affairs are requested to meet these needs. But we also require additional positions for overseas posts. The positions we are requesting have all been analyzed and scrubbed at several levels in the Department -- by the bureaus, central management and budget staffs, and the senior policy priorities group. The reporting and analysis request has the Secretary's strong endorsement.

It should be kept in mind that the Department's budget review process incorporates information from several sources, including our inspection corps, special internal staffs that review post reporting, and other agencies. In short, an Embassy may not have a complete appreciation of the needs in Washington.

Question Does the way the 146 positions are displayed on pages 9 thru 20 of the justification indicate their priority, i.e. the South African political analyst is you number 1 priority and the 2 secretaries numbered as 145/146 the least urgent?

Answer: No, the positions are grouped by bureaus within the

Department. There are 135 reporting and analysis positions among the 146 positions in the supplemental. The attachments prioritize the positions in five categories. The eleven positions requested for international telecommunications are not included in this presentation. However, those positions are essential for strengthening this function within the Department.

CATEGORY I - 31 positions

Bureau of Intelligence and Research (INR) - 2

1. Nuclear Analyst (PMA)
2. Soviet Political/Military Doctrine Analysts (SEE)

Bureau of Economic and Business Affairs (EB) - 2

3. Maritime/Land Transport Officer
4. East/West Trade Officer

Bureau of European and Canadian Affairs (EUR) - 7

5. Netherlands, Hague - Political/Military Officer
6. United Kingdom, London - Economic Officer
7. Switzerland, Bern - Economic Officer
8. Belgium, Brussels - Political Secretary
9. EUR/NE - Political Officer
10. France, Paris - Political/Military Officer
11. Greece, Athens - Political Secretary

Bureau of Inter-American Affairs (ARA) - 2

12. Haiti, Port au Prince - Political Officer
13. Bolivia, La Paz - Economic Officer

Bureau of East Asian and Pacific Affairs (EAP) - 9

14. EAP/J - Economic Officer
15. Thailand, Bangkok - Political Officer
16. EAP/ANZ - Political Secretary
17. Fiji, Suva - Political Officer
18. Indonesia, Jakarta - Political Officer
19. EAP/ANZ - Political Officer
20. Japan, Tokyo - Economic Officer
21. Hong Kong - Political Assistant
22. China, Beijing - Economic Officer

Bureau of African Affairs (AF) - 5

23. Mozambique, Maputo - Ambassador
24. Togo, Lome - DCM Secretary
25. Chad, N'Djamena - Political Officer
26. Sudan, Khartoum - Political Secretary
27. Uganda, Kampala - Economic Officer

Bureau of Near Eastern and South Asian Affairs (NEA) - 4

28. Egypt, Alexandria - Economic Officer
29. Egypt, Cairo - Political Secretary
30. Lebanon, Beirut - Economic Officer
31. Lebanon, Beirut - Political Officer

CATEGORY II - 36 positions

Bureau of Intelligence and Research (INR) - 10

1. Military/Space Analyst (PMA)
2. Mideat Analyst (NESA)
3. Mideast Economic Analyst (EC)
4. Soviet Nationalities Analyst (SEE)
5. Korean Affairs Analyst (EAP)
6. East Asian Economic Analyst (EC)
7. African Regional Analyst (LAR)
8. Mideast Political Division Chief (NESA)
9. Latin American Economic Analyst (EC)
10. South American Political Analyst (IAA)

Bureau of Economic and Business Affairs - 1

11. EB/OMA Economic Officer

Bureau of Oceans, Environment and Scientific Affairs (OES) - 1

12. OES/SAT International Relations Officer

Bureau of European and Canadian Affairs (EUR) - 9

13. Poland, Poznan - Political Secretary/Communicator
14. EUR/EEY - Political Officer
15. Ireland, Dublin - Political Secretary
16. EUR/RPM - Political Officer
17. Germany, Hamburg - Political Officer
18. Germany, Munich - Political Officer
19. Spain, Madrid - Economic Assistant
20. Yugoslavia, Belgrade - Economic Officer
21. Turkey, Ankara - Political Assistant

Bureau of Inter-American Affairs (ARA) - 2

22. Argentina, Buenos Aires - Economic Officer
23. Belize, Belize City - FSN Secretary

Bureau of East Asian and Pacific Affairs (EAP) - 4

24. Thailand, Bangkok - Political Officer
25. Japan, Tokyo - Economic Officer
26. Australia, Canberra - Political Officer
27. EA/IMBS - Economic Officer

Bureau of African Affairs (AF) - 4

28. Ethiopia, Addis Ababa - Political/Economic Officer
29. Liberia, Monrovia - Economic Assistant
30. Kenya, Nairobi - Economic Assistant
31. South Africa, Pretoria - Political Secretary

Bureau of Near Eastern and South Asian Affairs (NEA) - 5

32. Bangladesh, Dhaka - Economic Officer
33. Oman, Muscat - Political/Military Officer
34. Lebanon, Beirut - Political/Military Officer
35. Lebanon, Beirut - Political Secretary
36. NEA/RA - Political Secretary

CATEGORY III - 28 positions

Bureau of Intelligence and Research (INR) - 8

1. North Korean Political Analyst (EAP)
2. Cuban Political Analyst (IAA)
3. Mideast Political Trends Analyst (LAR)
4. South African Political Analyst (AA)
5. Theater Arms Analyst (PMA)
6. West European Political/Economic Analyst (WEA)
7. European Community Affairs Analyst (EC)
8. Nigerian Political Analyst (AA)

Bureau of European and Canadian Affairs (EUR) 5

9. Turkey, Izmir - Political/Economic Assistant
10. Hungary, Budapest - Political Officer
11. Poland, Krakow - Political Secretary
12. EUR/RPE - Political Officer
13. U.S.S.R., Moscow - Economic Secretary

Bureau of Inter-American Affairs (ARA) - 2

14. Brazil, Brasilia - Science and Technology Officer
15. Cuba, Havana - Political/Economic Officer

Bureau of East Asian and Pacific Affairs (EAP) - 4

16. Thailand, Bangkok - Staff Assistant
17. Fiji, Suva - Political Secretary
18. China, Beijing - Assistant Science Officer
19. Japan, Tokyo - Economic Secretary

Bureau of African Affairs (AF) - 4

20. AF/S - Political Officer
21. AF/S - Political Secretary
22. AF/W - Political Officer
23. AF/W - Political Secretary

Bureau of Near Eastern and South Asian Affairs (NEA) - 5

24. NEA/MFO - Political Secretary
25. Bahrain, Manama - Political/Military Officer
26. Algeria, Algiers - Political Officer
27. Jordan, Amman - Economic Secretary
28. Morocco, Rabat - Political/Military Officer

CATEGORY IV - 19 positions

Bureau of Intelligence and Research (INR) - 5

1. Greece/Cyprus Political Analyst (WEA)
2. Political/Military Trends Analyst (LAR)
3. East European Economic Analyst (EC)
4. Nuclear Weapons Testing (GIS)
5. Political Military Research Assistant (PMA)

Bureau of European and Canadian Affairs (EUR) - 2

6. Belgium, Brussels - Political/Labor Assistant
7. Spain, Madrid - Political/Military Officer

Bureau of Inter-American Affairs (ARA) - 2

8. Brazil, Rio de Janiero - Political Assistant
9. Belize, Belize City - Economic Officer

CATEGORY V - 21 positions

Bureau of Intelligence and Research (INR) - 5

1. Special Analyst ARA (IC)
2. Special Analyst EUR (IC)
3. Special Analyst NEA (IC)
4. Special Analyst EAP (IC)
5. Special Analyst AF (IC)

Bureau of European and Canadian Afairs (EUR) - 2

6. Turkey, Ankara - Political Officer
7. U.S.S.R, Moscow - Science Officer

Bureau of Inter-American Affairs (ARA) - 1

8. Argentina, Buenos Aires - Political/Economic Officer

Bureau of East Asian and Pacific Affairs (EAP) - 2

9. Singapore, Singapore - Political/Economic Officer
10. Indonesia, Jakarta - Science Officer

Bureau of African Affairs (AF) - 5

11. Zaire, Kinshasa - Economic Officer
12. Mozambique, Maputo - Political Secretary
13. Mozambique, Maputo - Political Officer
14. Liberia, Monrovia - Economic Officer
15. Sudan, Khartoum - Political/Economic Officer

Bureau of Middle Eastern and South Asian Affairs (NEA) - 6

16. Tunisia, Tunis - Economic Officer
17. Jordan, Amman - Political Officer
18. India, New Delhi - Political Officer
19. Sri Lanka, Colombo - Political Officer
20. Nepal, Kathmandu - Economic Officer
21. Jerusalem - Political/Economic Officer

Bureau of East Asian and Pacific Affairs (EAP) - 5

10. Burma, Rangoon - Political Officer
11. China, Shenyang - Political Officer
12. Papua New Guinea, Port Moresby - Political Officer
13. China, Beijing - Political/Military Officer
14. EA/J - Economic Secretary

Bureau of African Affairs (AF) - 3

15. Nigeria, Enugu - Principal Officer
16. Mauritania, Nouakchoutt - Political Secretary
17. Madagascar, Antananarivo - Political Secretary

Bureau of Near Eastern and South Asian Affairs (NEA) - 2

18. Pakistan, Islamabad - Economic Officer
19. India, Calcutta - Political Officer

RENOVATION OF SECRETARY'S OFFICE

Q.1 Briefly, what are the overall plans for these renovations?

A. The plan calls for the Secretary's immediate office and seven adjoining conference and reception rooms on the seventh floor to be remodeled architecturally into 18th century-style rooms.

Q.2 When will the renovations begin and be completed?

A. Work is expected to commence around June 2, 1984 and be completed on December 2, 1984.

Q.3 What is the total estimated cost of the renovation and how will they be funded?

A. The demolition, rebuilding and refurnishing (estimated at $1 million) of the Secretary's office will be paid with funds contributed to the Department's Fine Arts Committee Acquisition Fund. An estimate for the costs associated with areas apart from the Fine Arts Committee's contribution (e.g. metal conduiting, wiring and removal of existing equipment to a temporary location and installation of new communications and information systems equipment) is unavailable at this time. However, future meetings are planned with architect Allen Greenberg, William P. Lipscomb Company, Inc. (contractor) and the various Departmental officials and from these, the estimates for appropriated funding requirements will be made.

Q.4 Will any appropriated funds be utilized in this project; if so, which accounts and in what amounts?

A. Yes - these will include such costs as those associated with placement of telephone and electrical lines, conduit for Wang and computer equipment, communication lines etc. The Department's Office of communications, office of Information Systems and the Office of Operations in coordination with the Secretary's Executive Office are in the process of developing cost estimates and funding arrangement for these requirements.

Q.5 What is the authority for using either non-appropriated or appropriated funds for such renovations?

A. 31 U.S.C. 3721 and 22 U.S.C. 2669 authorizes the Department to use appropriated funds for necessary expenses and 22 U.S.C 2697 authorizes the Department to accept and use gifts for its purposes.

Q.6 Is it not unusual for these renovations to be accomplished by private funds?

A. No. The Diplomatic Reception Rooms of the Department, have been extensively renovated through the use of donated funds and services.

Q.7 What promises of access to the Department will be given to contributors to the renovation project? For instance, the Post article indicates that the buffet reception on March 16 was for $500 contributors to the State Department project. Do such persons also get special help in matters they may have with the Department?

A. None and no.

Q.8 The Post reported that the buffet reception on March 16 was for 500 people and that the food cost people and that the food cost $65 per person. From what source will the costs of the reception be paid?

A. Contributed funds.

Q.9 Last September the Department reprogrammed $46,000 for new carpets for the Secretary's reception area. We are assured that the Department will not install the new carpeting until the renovation are completed. However, why was the carpeting ordered so far ahead of the time it will actually be installed?

A. The order for replacement carpeting was made in September, 1983, approximately six months before a decision was made to remodel the Secretary's office. The major portion of the funding was to cover replacement of 20 year old carpeting in the Secretary's outer reception area which is not included in the area to be renovated. A lead time of several months is required by the manufacturer to produce the carpet to the desired specifications. The bulk of the merchandise is not expected to be delivered for another four to eight weeks.

Danger Pay

Q. Last year Congress authorized the payment of danger pay in foreign areas even in cases where dependents or non-essential personnel are present. Purportedly this was accomplished in order "to recognize the realities of overseas service and the necessity or desirability of balancing the needs of employee morale with security."

1. Did the Department of State endorse this change?

1. Yes. A considerable number of employees in the Foreign Service and many Members of Congress believed that our approach to danger pay had been too restrictive. The Department worked closely with Congress to address the question. As a result, the Department's FY 1984 authorization bill contained clarifying language allowing the Department to authorize danger pay in cases where family members and non-essential personnel remained at post.

2. What has been the impact of this change?

2. The Department has used the danger pay authority very

sparingly, but we can now make the determination without regard to the presence or absence of dependents. Presently, only Beirut, Kabul, San Salvador and Kuwait receive danger pay; dependents are allowed only at San Salvador and Kuwait. The degree of threat to family members is an important part of a decision with respect to whether dependents are allowed at posts, but this now is only one element of the total assessment on granting danger pay.

> 3. Current Department regulations designate the danger pay allowance "only when, civil insurrection, civil war, terrorism or wartime conditions threaten physical harm or imminent danger to the health or well being of a majority of the employees" at the particular post. That is a nasty set of conditions--why would we want dependents at such places?

3. The price of separating an employee from his or her family is high. It creates hardships, affects family happiness and has important psychological and emotional components. We do not want to make this decision for the employee in cases where reasonable people will have different interpretations about whether the degree of risk is acceptable. This is not a question of whether or not we want to place dependents in dangerous situations, but whether or not employees and their families are willing to accept the risks at a particular location in order to live together. Families which regard the risk as too extreme have the option of not going to post, and will be provided a separate maintenance allowance in such cases.

The risk to families is somewhat different than the risk to employees. The risk also varies depending on different occupations and grades. Of course, if we judge there is no possibility for dependents to live safely at a post, we will order evacuation of non-essential personnel and dependents and establish the post as one for an unaccompanied tour. However, where families can evaluate the risk, we believe that they should have a choice over where to reside.

4. Doesn't having dependents at posts qualifying for danger pay make us even more vulnerable to hostage-taking situations? Wasn't it bad enough having our employees hostage in Tehran, without adding the extra emotionalism of spouses and children?

4. The risk of being taken hostage is one of the major considerations in the decision whether or not to allow dependents to accompany employees to post. To date, we have had no cases of families being taken hostage. The hostage-taking threat has not been of this character. We were able to remove all non-essential personnel and families from Teheran prior to the hostage incident.

CAIRO OFFICE BUILDING

The requested sum of $30,000,000 was included in FBO's foreign currency appropriation for a new office building chancery in Cairo, and for the renovation of the Zahra Building Annex. The new office building is a 17-story tower now under construction. When our staff viewed the project in January, they were told that changing the first 3 floors, which are now an open atrium, into office space, would result in 30% more space for a 10% increase in cost. Further, embassy officials were concerned that the USIA Cultural Center was about to be displace from its present location and it was suggested that the present embassy be utilized for that purpose.

1. Is it feasible to finish the first 3 floors of the new tower as office space, and retain the chancery, and demolish the highly vulnerable Zahra Building, and adequately house our embassy personnel and the Cultural Center?

A. It is feasible to finish the first 3 floors of the new chancery. However, the additional costs in redesign, construction costs and delay claims could amount to as much as $6.0 million. These three floors, plus retention of the old Chancery, a marginally-functional converted mansion, and the consequent demolition of the Zahra building, would result in a loss to the Embassy of some 26,200 net square feet. It is felt that at current staffing levels the Embassy could be accommodated in the remaining space but with no room for expansion. More significantly, this scenario would create a security problem by dispersing the office facilities contrary to the original compound plan.

2. What is the present situation of the lease on the USIA Center?

A. The Egyptian courts have ruled that the property must be returned to its original owner. The Embassy has received a note from the Egyptian Foreign Office advising the Embassy of the court decision and asking the USG what are our plans for vacating the premises.

The Department is currently formulating guidance for response to the Government of Egypt.

3. We are informed that the present chancery building is a fine structure. It appears that we are tearing it down merely for aesthetic reasons. Is that correct, or just why is it planned to demolish this building?

A. The current chancery building, a converted mansion, is not a very functional office building and considerable funds would have to be expended to convert it to a cultural center. Also, using the building in such a manner would basically defeat the entire security concept on which the compound was planned.

4. We are informed that $27,599,000 has been contracted for construction of the office tower. Another $2,200,000 is committed for Government-furnished equipment. The rest of this $30,000,000 was used for drawings, etc. How confident is the Department of bringing the tower in within the contract? In other words, are we assured that we will not have a later request for the Government-furnished equipment such as we now find with the Moscow project?

A. The Department is confident that it can construct the new office complex, as currently designed, within the budget appropriation by the Congress.

FBO PROJECT LISTING

POST	PROJECT	YEAR APPROPRIATED	AMT APPROPRIATED	REPROGRAMMING INCREASE/(DECREASE)	CURRENT AUTHORIZED PROJECT LEVEL	CURRENT AMOUNT OBLIGATED	PERCENTAGE PROJECT COMPLETION	CURRENT ESTIMATED FINAL COST	ORIGINAL COMPLETION DATE	CURRENT ESTIMATED COMPLETION DATE
Bissau	SAR-4	FY 79 FY 80 FY 81	2,650	(2,400) 1,575	1,825	1,779	90%	1,773	8/28/83	5/30/84
Libreville	SAR-6	FY 79 FY 80 FY 82	1,200	1,000 (318)	1,882	1,793	67%	2,200	9/12/83	9/30/84
Lagos	OBC	FY 82		6,500	6,500	6,491	99%	6,376	10/30/83	4/15/84
Hong Kong	SDA-26	FY 79 FY 80 FY 81	1,000	150 7,365	8,515	6,219	96%	8,400	9/21/82	9/30/84
Port Moresby	SDA-6	FY 83	1,500	NONE	1,500	1,502	98%	1,500	3/1/84	4/16/84

FBO PROJECT LISTING

POST	PROJECT	YEAR APPROPRIATED	AMT APPROPRIATED	REPROGRAMMING INCREASE/(DECREASE)	CURRENT AUTHORIZED PROJECT LEVEL	CURRENT AMOUNT OBLIGATED	PERCENTAGE PROJECT COMPLETION	CURRENT ESTIMATED FINAL COST	ORIGINAL COMPLETION DATE	CURRENT ESTIMATED COMPLETION DATE
Bonn	OBC Rehab	FY 81 FY 82		2,000 1,200	3,200	2,637	60%	2,637	2/18/84	6/20/84
Bonn	SDA 420 Rehab	FY 81 FY 83	300 7,550		7,850	5,161	15%	5,161	9/2/84	9/2/84
Lisbon	Pending: Bid Pack 7 (Manor House)	FY 84	2,400	(450)	1,950	1,950	0%	1,700	4/10/85	4/11/85
Paris	Talley-rand Rehab	FY 80 FY 81 FY 82	4,150 4,000	930	9,080	9,079	99%	9,079	1/1/84	4/15/84
Madrid	HVAC Rehab	FY 84	1,750		1,750	1,430	2%	1,700	2/15/85	2/15/85
Colombo	OBC	FY 77 FY 79 FY 81	3,600 3,600	225	7,425	7,411	99%	7,400	12/10/82	4/15/84

FBO PROJECT LISTING

POST	PROJECT	YEAR APPROPRIATED	AMT APPROPRIATED	REPROGRAMMING INCREASE/(DECREASE)	CURRENT AUTHORIZED PROJECT LEVEL	CURRENT AMOUNT OBLIGATED	PERCENTAGE PROJECT COMPLETION	CURRENT ESTIMATED FINAL COST	ORIGINAL COMPLETION DATE	CURRENT ESTIMATED COMPLETION DATE
Cairo	OBC	FY 80 SFC FY 82	30,000	3,700	33,700	33,705	25%	33,700	11/84	1/85
	SDA-24 SDA-52 OBX-Rehab	FY 77 SFC	24,700	900	25,600	25,509	74%	25,509	6/83	6/84
	EMR	FY 76 SFC FY 78 SFC FY 80 SFC	2,275	125 200	2,600	3,080	88%	3,080	12/81	11/84
Riyadh	OBC	FY 81 FY 83 FY 84	4,200 51,800 30,000		86,098	24,107	0%	86,000	5/86	5/86
Islam-abad	OBC	FY 81		8,191 GOP FUNDS 5,461 GOP SFC	15,712	14,414	99%	15,500	5/83	1/84
		FY 80 SFC FY 82	1,200	860						

FUNDING OF FBO PROJECTS

The Bureau of Prisons uses a two-step funding approach in their construction program. First they budget for planning and site acquisition funds, then they request funds for construction.

1. If FBO budgeted their projects in this manner, wouldn't we have a better handle on the costs and less opportunity for overruns?

A. The Office of Foreign Buildings (FBO) follows the same basic approach as the Bureau of Prisons based on guidance from the Office of Management and Budget. During the FY 1984 budget review, FBO was requested not to submit requests for construction projects until the construction cost estimate is firm and is based on completion of design development. Design development is the last stage of development before working drawings and provides data as to the type and amount of supplies, equipment and labor required for the project. At that time a firm estimate can be prepared. FBO's comparison of construction cost estimates prepared at the completion of design development with contract amounts showed an average difference of less than 5%.

2. How much could be deleted from your 1985 request if we only provided planning and site acquisition funding for the new capital program?

A. Nothing would be deleted from the FBO FY 1985 request, since we are following the Bureau of Prisons approach.

BUDAPEST STAFF HOUSING

There was included in the fiscal 1983 appropriations bill, $3,000,000 for the conversion of U.S. Government-owned buildings in Budapest for use as staff housing.

Briefly outline the current status of the work in Budapest and when will it be completed?

A. An architect under contract to FBO arrived in Budapest in August 1983 to begin the first stage of the staff housing renovation project: development of architectural and engineering working drawings. The final drawings will be completed within a few weeks.

One problem exists which may delay construction. Renovation can not begin until current occupants vacate the premises. There are 23 Hungarian families which have lived on these properties for decades. None wish to move. Under Hungarian law, all tenants have very broad occupancy rights and cannot be forced to leave quickly. The Embassy has been working to move the tenants out and has requested the GOH to assist. The GOH, is sympathetic but not particularly eager to step in. The Ambassador has personally been working with the GOH to solve the problem and is optimistic of resolution in the near future.

JERUSALEM MARINE GUARD QUARTERS

At the present time our Marine Security Guards in Jerusalem are housed in an apartment building that is unquestionably inadequate. It is the smallest Marine House in the Mid-East. Immediately above them resides a retired Chief Rabbi.

What is being done to move the Marines to a better location and when can we expect to see it happen?

A. On January 26, 1984, the Department (FBO) received a telegram from the American Consulate in Jerusalem stating that after a long search, the post has located a suitable, residence containing 13,000 sq. ft. of floor space that was ample in all respects for the six man MSG detachment. On February 1, six days later, the Department (FBO) approved the leasing of the house and alloted funds to the post for one year's advance rent ($60,000). The marines moved into their new house on March 1st.

Reprogramming Between FBO Projects

During the Fiscal 1982 hearings our House counterparts suggested that limits be placed on the Department's flexibility in the use of FBO's appropriations. The Department opposed that suggesting and stated that: "Changes in these programs dictated by operational needs are requested and approved by the Committee under Department reprogramming procedures." (p. 803 of Part 5, House hearings for 1982).

In line with that Departmental statement, and in view of the experience with the new residence in Cairo, what assurance do we have that the Department really stands by that expressed intention?

A. The Department reaffirms its intention to follow reprogramming procedures. The Cairo situation is an anomaly that resulted in part because the original funding was part of a $7 million supplemental in FY 1975 and because an additional $25 million was provided by an FY 1977 supplemental for other residences, resulting in an unusually large number of projects underway at one time in Cairo. There apparently was some confusion as to whether funds that were excess to one project could be used for other approved foreign currency projects in Cairo, particularly since the current reprogramming requirements were not in force at that time. This confusion has now been clarified and any subsequent funding for the EMR will be done only after a formal reprogramming letter.

CONTRIBUTIONS TO INTERNATIONAL PEACEKEEPING ACTIVITIES

Lebanon: UNIFIL

Q. Last May, Israel roared into Lebanon in an operation to end the PLO attacks and secure Israel's northern borders. UNIFIL has played nothing but a spectator role during that operation. Apparently you believe that UNIFIL plays some sort of a role in that you have requested funds for its further support. What purpose is there for a continued UNIFIL?

A. The United Nations Interim Force in Lebanon (UNIFIL) plays several important roles in Lebanon. First, its threefold mandate, dating from 1978, remains valid: i.e., to (1) confirm withdrawal of Israeli forces from southern Lebanon, (2) restore international peace and security, and (3) help the Government of Lebanon reassert its authority in the south. Second, UNIFIL has carried out certain humanitarian tasks in southern Lebanon since the June 1982 Israeli invasion -- a role encumbered by the fact that UNIFIL now operates behind Israeli lines.

Third, UNIFIL has significant potential to play an expanded role in support of the Government of Lebanon, in the

context of a broader settlement. We want to preserve this valuable asset.

The Security Council must renew the current mandate by April 19. We strongly support renewal, given UNIFIL's current and prospective roles in promoting a more peaceful, sovereign, and unified Lebanon serving the interests of all Lebanese.

Q. Shouldn't we at least stop referring to UNIFIL as a peacekeeping force and call it an observer group?

A. The initials UNIFIL stand for "United Nations Force in Lebanon". Several observers from UNTSO, the United Nations Truce Supervision Organization created in 1948, are attached to UNIFIL. Under current circumstances, as noted above, UNIFIL performs a variety of functions, including peacekeeping and observation, in southern Lebanon.

QUESTION: How much have the Russians and other Eastern-Bloc nations paid to the costs of UN peacekeeping forces?

ANSWER: The Warsaw Pact Countries, Poland, the German Democratic Republic, Romania, Bulgaria, Czechoslovakia, Hungary, the Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic, have paid nothing toward the expenses of the United Nations Interim Force in Lebanon.

QUESTION: Please provide for the record a display, by nation, of the total UN assessments for peacekeeping and the payments.

ANSWER: The attached United Nations Secretariat document entitled "Status of Contributions as at 31 December 1983" displays by nation, the calendar year 1983 UNIFIL assessments as well as the calendar year 1983 payments and the cumulative amounts outstanding since UNIFIL's inception. Since the document was prepared as of December 31, 1983 the U.S. is listed as being in arrears by $21,409,288. The U.S. assessment was paid in full in January, 1984.

Annex III

STATUS OF CONTRIBUTIONS TO THE UNITED NATIONS INTERIM FORCE IN LEBANON
AS AT 31 DECEMBER 1983
(United States dollars)

MEMBER STATE	CONTRIBUTION PAYABLE AS AT 1 JAN 1983	ASSESSMENTS IN 1983	COLLECTIONS IN 1983	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				19 MAR 78 TO 18 DEC 81	19 DEC 81 TO 16 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 APR 84	TOTAL
AFGHANISTAN	5 331	2 039	-	3 536	1 795	1 344	695	7 370
ALBANIA	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
ALGERIA	151 665	52 902	-	108 629	43 036	34 835	18 067	204 567
ANGOLA	5 453	2 039	-	3 658	1 795	1 344	695	7 492
ANTIGUA AND BARBUDA	1 893	2 039	-	-	-	3 237	695	3 932
ARGENTINA	141 165	290 494	242 908	-	-	90 082	98 669	188 751
AUSTRALIA	1 103 953	3 218 546	3 231 569	-		-	1 090 930	1 090 930
AUSTRIA	-	1 527 146	1 006 001	-	-	-	521 145	521 145
BAHAMAS	4 297	4 080	4 297	-	-	2 690	1 390	4 080
BAHRAIN	-	4 080	2 690	-	-	-	1 390	1 390
BANGLADESH	15 299	6 180	18 485	-	-	909	2 085	2 994
BARBADOS	2 654	4 080	2 051	-	603	2 690	1 390	4 683
BELGIUM	2 107 916	2 606 853	3 407 915	-	-	417 433	889 421	1 306 854
BELIZE	1 893	2 039	3 237	-	-	-	695	695
BENIN	6 319	2 039	-	4 524	1 795	1 344	695	8 358
BHUTAN	-	2 039	2 039	-	-	-	-	-
BOLIVIA	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
BOTSWANA	702	2 039	891	-	-	1 155	695	1 850
BRAZIL	451 477	565 472	-	-	451 477	372 301	193 171	1 016 949
BULGARIA	205 167	73 171	-	147 784	57 383	48 155	25 016	278 338
BURMA	1 206	4 080	3 290	-	-	606	1 390	1 996
BURUNDI	6 319	2 039	-	4 524	1 795	1 344	695	8 358
BYELORUSSIAN SOVIET SOCIALIST REPUBLIC	2 653 699	736 140	-	1 954 282	699 417	485 990	250 150	3 389 839
CAMEROON, REPUBLIC OF	4 867	4 080	-	1 281	3 586	2 690	1 390	8 947
CANADA	-	6 294 496	4 154 327	-	-	-	2 140 169	2 140 169
CAPE VERDE	3 105	2 039	1 093	217	1 795	1 344	695	4 051
CENTRAL AFRICAN REPUBLIC	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
CHAD	6 319	2 039	-	4 524	1 795	1 344	695	8 358
CHILE	15 287	20 553	10 826	-	-	15 287	9 727	25 014
CHINA	-	2 238 154	1 494 606	-	-	-	743 548	743 548

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MEMBER STATE	CONTRIBUTION PAYABLE AS AT 1 JAN 1983	ASSESSMENTS IN 1983	COLLECTIONS IN 1983	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				19 MAR 78 TO 18 DEC 81	19 DEC 81 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 APR 84	TOTAL
COLOMBIA	39 448	44 870	69 031	-	-	-	15 287	15 287
COMOROS	6 319	2 039	-	4 524	1 795	1 344	695	8 358
CONGO	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
COSTA RICA	18 187	8 158	-	11 013	7 174	5 379	2 779	26 345
CUBA	147 129	36 964	-	107 681	39 448	24 457	12 507	184 093
CYPRUS	1 402	4 080	3 486	-	-	606	1 390	1 996
CZECHOSLOVAKIA	5 575 522	1 554 493	-	4 087 021	1 488 501	1 026 399	528 094	7 130 015
DEMOCRATIC KAMPUCHEA	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
DEMOCRATIC YEMEN	6 319	2 039	-	4 524	1 795	1 344	695	8 358
DENMARK	-	1 529 041	1 007 896	-	-	-	521 145	521 145
DJIBOUTI	3 783	2 039	-	1 988	1 795	1 344	695	5 822
DOMINICA	6 611	2 039	-	4 816	1 795	1 344	695	8 650
DOMINICAN REPUBLIC	31 365	12 238	-	20 605	10 760	8 068	4 170	43 603
ECUADOR	3 621	8 158	5 141	-	-	3 859	2 779	6 638
EGYPT	42 774	28 553	61 601	-	-	-	9 726	9 726
EL SALVADOR	12 349	4 080	-	8 763	3 586	2 690	1 390	16 429
EQUATORIAL GUINEA	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
ETHIOPIA	4 440	2 039	-	2 645	1 795	1 344	695	6 479
FIJI	2 850	4 080	4 934	-	-	606	1 390	1 996
FINLAND	144 785	978 992	790 244	-	-	-	333 533	333 533
FRANCE	12 713 494	16 121 590	23 334 520	-	-	-	5 500 564	5 500 564
GABON	19 184	8 158	-	12 010	7 174	5 379	2 779	27 342
GAMBIA	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
GERMAN DEMOCRATIC REPUBLIC	9 167 410	2 834 993	-	6 674 623	2 492 787	1 869 138	965 855	12 002 403
GERMANY, FEDERAL REPUBLIC OF	-	17 403 341	11 469 237	-	-	-	5 934 104	5 934 104
GHANA	-	8 284	8 284	-	-	-	-	-
GREECE	27 974	162 531	134 917	-	-	-	55 588	55 588
GRENADA	5 662	2 039	4 658	-	1 004	1 344	695	3 043
GUATEMALA	3 621	8 158	7 788	-	-	1 212	2 779	3 991
GUINEA	604	2 039	-	-	604	1 344	695	2 643
GUINEA-BISSAU	3 705	2 039	-	1 910	1 795	1 344	695	5 744
GUYANA	83	4 080	-	-	83	2 690	1 390	4 163
HAITI	6 319	2 039	-	4 524	1 795	1 344	695	8 358
HONDURAS	1 809	4 080	-	-	1 809	2 690	1 390	5 889
HUNGARY	441 410	95 080	-	323 059	118 351	63 116	31 964	536 490

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MEMBER STATE	CONTRIBUTION PAYABLE AS AT 1 JAN 1983	ASSESSMENTS IN 1983	COLLECTIONS IN 1983	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD 19 MAR 78 TO 18 DEC 81	19 DEC 81 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 APR 84	TOTAL
ICELAND	-	61 186	40 340	-	-	-	20 846	20 846
INDIA	215 183	149 875	293 213	-	-	21 816	50 029	71 845
INDONESIA	9 653	53 406	40 695	-	-	4 297	18 067	22 364
IRAN (ISLAMIC REPUBLIC OF)	715 870	237 468	-	482 752	233 118	156 865	80 603	953 338
IRAQ	142 822	48 949	-	99 786	43 036	32 273	16 676	191 771
IRELAND	-	365 858	342 270	-	-	-	23 588	23 588
ISRAEL	60 529	94 070	122 635	-	-	-	31 964	31 964
ITALY	2 081 288	7 609 644	7 092 156	-	-	-	2 598 776	2 598 776
IVORY COAST	15 102	12 238	3 315	1 027	10 760	8 068	4 170	24 025
JAMAICA	1 599	8 158	5 766	-	-	1 212	2 779	3 991
JAPAN	9 609 575	21 001 539	20 313 096	-	-	3 127 063	7 170 955	10 298 018
JORDAN	603	4 080	2 690	-	-	603	1 390	1 993
KENYA	6 129	4 080	2 388	155	3 586	2 690	1 390	7 821
KUWAIT	-	101 344	101 344	-	-	-	-	-
LAO PEOPLE'S DEMOCRATIC REPUBLIC	6 319	2 039	-	4 524	1 795	1 344	695	8 358
LEBANON	34 228	8 284	42 512	-	-	-	-	-
LESOTHO	4 657	2 039	-	2 862	1 795	1 344	695	6 696
LIBERIA	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
LIBYAN ARAB JAMAHIRIYA	276 690	105 676	-	194 200	82 490	69 544	36 132	382 366
LUXEMBOURG	-	121 743	80 051	-	-	-	41 692	41 692
MADAGASCAR	10 216	4 080	-	6 630	3 586	2 690	1 390	14 296
MALAWI	3 204	2 039	4 548	-	-	-	695	695
MALAYSIA	27 818	36 712	35 711	-	-	16 312	12 507	28 819
MALDIVES	1 771	2 039	891	-	880	1 344	695	2 919
MALI	3 109	2 039	-	1 314	1 795	1 344	695	5 148
MALTA	-	4 080	2 690	-	-	-	1 390	1 390
MAURITANIA	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
MAURITIUS	3 257	4 080	3 290	-	-	2 657	1 390	4 047
MEXICO	59 276	357 440	294 424	-	-	-	122 292	122 292
MONGOLIA	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
MOROCCO	33 922	20 395	-	15 987	17 935	13 446	6 949	54 317
MOZAMBIQUE	8 384	2 039	-	6 589	1 795	1 344	695	10 423
NEPAL	1 889	2 039	2 775	-	-	458	695	1 153
NETHERLANDS	491 667	3 620 947	2 336 405	-	-	539 358	1 236 851	1 776 209
NEW ZEALAND	81 441	530 920	431 697	-	-	-	188 664	188 664

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MEMBER STATE	CONTRIBUTION PAYABLE AS AT 1 JAN 1983	ASSESSMENTS IN 1983	COLLECTIONS IN 1983	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				19 MAR 78 TO 18 DEC 81	19 DEC 81 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 APR 84	TOTAL
NICARAGUA	13 376	4 080	11 371	-	2 005	2 690	1 390	6 085
NIGER	4 212	2 039	-	2 417	1 795	1 344	695	6 251
NIGERIA	60 538	77 123	99 742	-	-	11 515	26 404	37 919
NORWAY	-	1 039 547	803 294	-	-	-	236 253	236 253
OMAN	-	4 080	2 690	-	-	-	1 390	1 390
PAKISTAN	12 669	24 601	24 142	-		4 789	8 339	13 128
PANAMA	22 828	8 158	-	15 654	7 174	5 379	2 779	30 986
PAPUA NEW GUINEA	4 530	2 039	6 272	-	-	-	297	297
PARAGUAY	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
PERU	73 843	28 426	-	52 324	21 519	18 699	9 727	102 269
PHILIPPINES	24 091	36 838	21 709	-	2 382	24 331	12 507	39 220
POLAND	8 620 699	1 501 345	-	6 404 914	2 223 785	1 001 046	500 299	10 130 044
PORTUGAL	22 924	73 550	136	-	22 788	48 534	25 016	96 338
QATAR	7 962	12 238	3 620	-	4 342	8 068	4 170	16 580
ROMANIA	268 354	77 755	-	193 039	75 315	51 351	26 404	346 109
RWANDA	906	2 039	1 271	-	-	979	695	1 674
SAINT LUCIA	4 487	2 039	302	2 390	1 795	1 344	695	6 224
SAINT VINCENT AND THE GRENADINES	702	2 039	2 046	-	-	-	695	695
SAMOA	2 726	2 039	302	629	1 795	1 344	695	4 463
SAO TOME AND PRINCIPE	4 852	2 039	-	3 057	1 795	1 344	695	6 891
SAUDI ARABIA	69 969	347 263	297 717	-	-	-	119 515	119 515
SENEGAL	4 651	2 039	375	2 480	1 795	1 344	695	6 315
SEYCHELLES	302	2 039	1 193	-	-	453	695	1 148
SIERRA LEONE	13 180	4 080	-	9 594	3 586	2 690	1 390	17 260
SINGAPORE	4 827	36 585	28 905	-	-	-	12 507	12 507
SOLOMON ISLANDS	6 913	2 039	-	5 118	1 795	1 344	695	8 952
SOMALIA	2 807	2 039	-	1 012	1 795	1 344	695	4 846
SOUTH AFRICA	2 810 147	836 853	-	2 056 930	753 217	551 960	284 893	3 647 000
SPAIN	1 703 402	784 354	1 631 110	-	72 292	516 138	268 216	856 646
SRI LANKA	3 621	4 206	6 437	-	-	-	1 390	1 390
SUDAN	4 852	2 039	5 186	-	-	1 010	695	1 705
SURINAME	-	2 039	1 041	-	-	303	695	998
SWAZILAND	13 376	4 080	-	9 790	3 586	2 690	1 390	17 456
SWEDEN	395 144	2 691 592	2 169 521	-	-	-	917 215	917 215
SYRIAN ARAB REPUBLIC	35 707	12 238	-	24 947	10 760	8 068	4 170	47 945

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MEMBER STATE	CONTRIBUTION PAYABLE AS AT 1 JAN 1983	ASSESSMENTS IN 1983	COLLECTIONS IN 1983	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				19 MAR 78 TO 18 DEC 81	19 DEC 81 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 APR 84	TOTAL
THAILAND	7 993	32 886	31 016	-	-	-	9 863	9 863
TOGO	5 719	4 080	-	2 133	3 586	2 690	1 390	9 799
TRINIDAD AND TOBAGO	1 810	12 238	9 878	-	-	-	4 170	4 170
TUNISIA	15 653	12 238	21 903	-	-	1 818	4 170	5 988
TURKEY	60 174	130 277	120 602	-	-	25 380	44 469	69 849
UGANDA	5 840	2 039	302	3 743	1 795	1 344	695	7 577
UKRAINIAN SOVIET SOCIALIST REPUBLIC	9 923 573	2 701 070	-	7 305 247	2 618 326	1 783 855	917 215	12 624 643
UNION OF SOVIET SOCIALIST REPUBLICS	89 828 730	26 175 047	-	65 852 523	23 976 207	17 269 371	8 905 676	116 003 777
UNITED ARAB EMIRATES	20 059	64 508	-	-	20 059	42 272	22 236	84 567
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	6 913 307	11 562 616	10 879 690	-	-	3 650 359	3 945 874	7 596 233
UNITED REPUBLIC OF TANZANIA	6 319	2 039	-	4 524	1 795	1 344	695	8 358
UNITED STATES OF AMERICA	-	62 712 575	41 303 287	-	-	-	21 409 288	21 409 288
UPPER VOLTA	6 319	2 039	-	4 524	1 795	1 344	695	8 358
URUGUAY	21 955	16 316	16 648	-	5 307	10 757	5 559	21 623
VANUATU	1 893	2 039	-	-	-	3 237	695	3 932
VENEZUELA	251 681	223 716	78 892	-	172 789	147 282	76 434	396 505
VIET NAM	40 130	8 284	-	29 370	10 760	5 505	2 779	48 414
YEMEN	6 319	2 039	-	4 524	1 795	1 344	695	8 358
YUGOSLAVIA	379 538	187 130	228 909	-	150 629	123 204	63 926	337 759
ZAIRE	18 728	4 206	-	11 554	7 174	2 816	1 390	22 934
ZAMBIA	1 207	4 206	4 023	-	-	-	1 390	1 390
ZIMBABWE	3 046	4 078	904	-	2 142	2 688	1 390	6 220
TOTAL	171 214 092	204 687 820	139 985 300	96 428 619	36 081 610	33 896 882	69 509 501	235 916 612

REPROGRAMMING PROCEDURES

QUESTION:

Mr. Secretary, this Committee is not receiving the cooperation of the Department with respect to the required notification of reprogramming of funds. As a long-term executive, I am sure you appreciate the need for current information that we as your "Board of Directors" require.

We have been following a reprogramming procedure since Fiscal 1977 that has generally worked fairly well. This procedure, which has been included in the appropriation bills since the Republicans assumed control of the Committee, provides for 15 days notification to the Committee of defined reprogrammings.

Last September 22, the Department transmitted reprogrammings totalling $21,100,000 in the fiscal year 1983 Salaries and Expenses appropriation. That was 8 days before the Fiscal Year expired and certainly too late for an intelligent response on our part.

1. Mr. Secretary, how much of this reprogramming had already occurred by September 22, 1983, so that our approval was superficial?
2. What assurances can you give us that the Department's new management team will keep the Committee better advised of reprogramming?

ANSWER:

The Department's omnibus FY 1983 Salaries and Expenses reprogramming letter was submitted later than 15 days prior to the end of the fiscal year. This belated notification reflected the inherent difficulty in determining priorities amid dynamic global political developments and stretching limited resources to manage over 250 offices around the world. We are not pleased with the delay in having notified the Congress of our intentions. However, we would like to stress that the specifics of the reprogramming were not controversial but merely represented the best distribution of the Department's needs at the time to conduct the ongoing work of diplomacy. These actions addressed management, not policy. Indeed, the resources involved represented less than 2% of the Department's total S&E availability and resource shifts between 17 bureaus.

Many of the actions detailed in the letter were already on track, but none were irrevocable. Had the Congress objected to any of the Department's decisions be assured that funds would have been deobligated forthwith. The relatively limited and routine nature of the reprogrammings included reestimating American Salaries, funding the Williamsburg Economic Summit, providing increased security for vulnerable posts such as Beirut and purchasing additional motor vehicles and automated information systems.

We recognize that the FY 1983 performance was not optimal and are determined to do better in the future.

QUESTIONS SUBMITTED BY SENATOR DECONCINI

Senator DeConcini: Mr. Secretary, I have just returned from a trip to Central America and some of my concerns about the effectiveness of U.S. economic aid have been heightened by what I have seen in my travels. The Administration is asking for an $8 billion, five-year reconstruction and development program for Central America. How can the relatively undeveloped economies of this region effectively absorb that much money, particularly El Salvador, where the economic superstructure has been almost destroyed by the civil war?

Secretary Shultz: Our request for $7.9 billion, including $2.0 billion in insurance and gurantees, over 5 years is not large in terms of the size or needs of the Central American economies. It represents annual assistance of only about 5 percent of the Gross Domestic Product of the region -- a lower percentage than aid previously made available to some other countries, including success stories like South Korea and Taiwan. Moreover, the region's shortfall in export earnings from lower coffee and sugar prices, plus higher petroleum prices amount to the same general magnitude as our proposed assistance, about $1.5 billion per year.

There is widespread agreement that the need for investment in the human and capital resources of Central America is immense, and that external assistance will have to play a large role. Physical infrastructure is undeveloped, health and education systems need expansion, and investment in productive capacity is essential to employ the region's growing labor force. Large new infusions of external assistance can be readily absorbed because, in large part, of the economic deterioration which has occurred. There is considerable excess capacity which could quickly and easily be brought back into play -- private firms need only working capital and imported imputs; and in the public sector, high priority investment programs that have been suspended or cut back because of austerity programs lack only financial support.

A final general observation is that our economic assistance will be conditioned on the adoption of economic policies that will ensure effective use of our funds; we will avoid subsidizing inefficiency and will strive to create opportunities and incentives for private sector investment.

Nearly all of the preceding applies to El Salvador, despite the obvious, serious security problems in that country. The insurgency, while it limits possibilities for some types of investment and activities, creates other critical needs which the Salvadoran Government cannot begin to meet with its own resources. For example, the guerrillas have repeatedly and with frequent success sought to disrupt the economy by attacking such targets as bridges, buses, and communications and electric power facilities. The need to restore or replace such facilities is obvious, but the costs are high. In sum, the overall situation in El Salvador fully justifies our proposed assistance levels.

CONTROL OVER ECONOMIC AID DOLLARS

Question: I am very concerned that the United States loses control of our economic aid dollars once they reach the recipient country. How does the United States go about controlling or influencing how this money is spent?

Answer: Our economic assistance is based on careful negotiations with the recipient country. A series of agreements are signed each year which clearly specify the responsibilities of the recipient in use and accountability for our assistance. In almost all instances, funds are released in installments based upon our satisfaction that the conditions specified in agreements are being satisfied. These conditions vary by country and type of economic assistance.

A significant portion of our assistance to Central America is in Economic Support Funds for balance of payments support. The release of funds is conditioned upon implementation of and performance on fiscal and monetary reform. Our agreements stipulate that the recipient country must import goods from the United States equal in value to the amount of our balance of payments support. In the three countries which receive major assistance, El Salvador, Honduras, and Costa Rica, we have helped establish checking procedures in each country's Central Bank to improve foreign exchange control and to stem capital flight.

The rest of our dollar assistance is through specific projects with detailed budgets. Agreements for each project spell out control and reporting requirements, and itemize the goods and services to be financed. Release of installments of funds is based upon completion of previously agreed upon activities such as the satisfactory construction of a set number of classrooms, or the purchase of medical supplies, etc. Our A.I.D. field missions must be certain that systems of control over U.S. assistance are in place before funds are made available to the recipient country.

Q: The Kissinger Commission report describes dramatic economic growth in Central America during the 1960s and 1970s but

> adds that this growth did not resolve the region's underlying social problems. Given that it is these social problems which are at the root of the civil war in El Salvador, are we learning a lesson from El Salvador's experience--that a nation's economic growth is not necessarily an indicator of its improvement in the areas of social and human rights? How is this lesson being applied to our aid programs in other areas of the world?

A: We agree that economic growth is not in itself the only indicator of general improvement in social and human rights. Our program guidance for all areas of the world generally requires a demonstration of how projects will benefit the overall conditions of a target population before they are approved for funding. Without sustained improvement in economic conditions among all segments of a population, improvements in social and human rights are difficult. In Central America, endemic social problems were aggravated first by inequitable distribution of the benefits of economic growth, and then by a gradual economic decline beginning in the late 1970's. The resultant economic contraction in each country had severe effects, particularly for those who were denied participation in the earlier era of rapid growth. In recognition of this, our AID program in El Salvador also directs assistance to promote judicial reform, democratic free elections, and humanitarian assistance to displaced persons, in addition to traditional forms of economic and development aid. We are applying the lessons learned from these programs to other areas of the world as well.

Q. The Kissinger Commission report states that although the Contadora Group's initiatives cannot take the place of our own foreign policies, we should "actively encourage the Contadora process". How are we encouraging this process? Have we solicited comments from the Contadora Group regarding its view of the Kissinger report? What has the Contadora Group's reaction been to the Kissinger report?

A. The United States has consistently and actively supported the Contadora process. In his address to a joint session of Congress last April 27, the President noted that as one element of our Central America policy we will, " . . . support dialogue and negotiations -- both among the countries of the region and within each country." In a letter written to the presidents of the Contadora Four last July the President congratulated the Contadora group on its efforts. As the official Contadora chronology described it, his letter "signalled that (the United States) government has consistently expressed strong support for the Contadora group and that the Declaration of Cancun (issued by the Contadora presidents on July 17), by articulating the critical issues which must be treated to reach an effective and enduring resolution of the Central America conflict, is an important contribution to advancing that process."

The President's special representative for Central American negotiations, first Ambassador Richard Stone and now Ambassador Harry Shlaudeman, has consulted with the nine Contadora states about how the US could best support their peace initiative. At the same time, the special envoy has reaffirmed our intention that the momentum of the Contadora process be maintained. As the official Contadora chronology notes, on December 22, 1983, after consulting with Ambassador Stone, the President once again publicly reaffirmed our strong support for the Contadora peace process. He said, "I want to reiterate my support and commitment to (Ambassador Stone's) delicate but crucial mission." The activities of the special envoy have recently been supported by the visit of an interagency team of technical experts who have consulted with Central American representatives working on the difficult issues involved in translating the Document of Objectives into a comprehensive, verifiable peace treaty.

While we have reiterated our support for the Contadora initiative, we are mindful that much of its success reflects its regional nature. Although all parties recognize the strong and legitimate US interest in the Contadora process and the need for our support and involvement, the United States and the regional governments agree that direct US participation in Contadora would not be helpful.

And US support goes beyond the process itself. We specifically endorse the 21 objectives agreed to last September by the nine countries involved in the Contadora negotiations. We believe that these 21 points -- if implemented in a comprehensive, verifiable and reciprocal manner -- from the basis for a political resolution to the Central American dilemma which would both provide for equitable, democratic development in the area and protect US security and other interests.

We have discussed with leaders of the Central American and the Contadora Four countries both the report of the National Bipartisan Commission and the President's Democracy, Peace, and Development Initiative, which would implement the Commission's recommendations. Their public comments on the report have been generally positive. Colombian President Betancur cited the report as evidence of a more responsible US attitude toward Central America and quoted sections calling for cooperation rather than domination, association rather than confrontation, and a decent life for all rather than exploitation. Commenting on the report's relationship to the Contadora process, Panamanian Foreign Minister Oyden Ortega said that the report does not contradict the Contadora Group's aspirations. "Everything that might mean a contribution to the development of our countries will be welcomed by the Contadora process," he said. Some leaders, while praising the report's call for a sustained, comprehensive US policy toward Central America, have cautioned that there must be a balance among the various elements of our policy.

Question: You have stated that two commissions tasked with examining our foreign aid programs have concluded that current levels of foreign aid are inadequate. It is my recollection that this was not the philosophy of the Reagan Administration when it first took office. Most areas of Federal spending are either being cut and/or efforts are being made to insure that

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the money they receive is being spent wisely. How does the Administration respond to this call for increased U.S. expenditures for foreign nations while it is cutting the money it spends on American domestic needs?

Answer: It is correct that this Administration is concerned with limiting the growth of Federal spending and seeing to it that available resources are well spent. The increases we have called for are needed to meet priority foreign policy objectives in the national interest of the United States. The increases sought for Central America, for instance, are vital to help restore stability to a neighboring region of great strategic importance to this country. Increases for assistance to Africa are important to help further the process of development and promote stability in an area which constitutes a source of important resources to the economy of this nation.

Even with these proposed increases, foreign assistance constitutes only a very small portion -- about 1.5 percent -- of the Federal budget. Considering the importance of the foreign policy objectives to which these resources are addressed, the fiscal impact of the program is minimal compared to its value to our national interests.

Furthermore, it is somewhat misleading to draw a dichotomy between so-called domestic and foreign assistance programs. In fact, the foreign assistance program greatly benefits Americans. For example, by helping strengthen the economies of developing nations, it fosters the expansion of overseas markets for U.S. exports -- the developing nations today absorb 38 percent of all U.S. exports. As a result, exports to these countries account for some 20 million U.S. jobs in manufacturing alone and one out of every five acres of U.S. farmland today produces food solely for the markets of the developing world. By helping promote stability in developing countries on which we depend for strategic imports, foreign assistance also helps assure continued access to raw materials vital to our own economy and our national defense. For instance, we depend on developing nations for all of our natural rubber, for 96 percent of our tin -- essential to the electronics industry -- and 88 percent of our bauxite -- which is vital to the U.S. aircraft industry.

Also, it is important to recognize that a substantial portion of the foreign assistance dollar is spent in this country, on U.S. experts and technology, machinery and spare parts. Our contributions to international organizations are outweighed by the benefit to the U.S. economy of goods and services procured in this country for use by these organizations in other countries.

Question: Is seems that our reaction to foreign policy problems many times is to throw money at the problem--a procedure that used to characterize our domestic spending. What efforts have been taken to insure that we are getting the most out of our foreign aid dollars, particularly in light of our desperate need to balance the budget?

Answer: It is not correct to assume our answer to many foreign policy problems is merely more money. It is true that a very important instrument of U.S. foreign policy is foreign aid. The Commission on Economic and Security Assistance concluded that our foreign assistance levels have declined noticeably during the past decade, and they are now insufficient to deal with the many, serious problems faced by the developing nations. Third World debt, declines in food production in Africa, and the situation in Central America are just several of the more serious problems that the U.S. must help solve. The Economic Policy Initiative for Africa, the bipartisan Central America package, and increased concessionality of military assistance are three new proposals now before the Congress which require funds.

The Administration, nevertheless, is very much aware of the budget problems, and the need to get the most out of our foreign aid dollars. We have introduced a number of measures to economize on what we make available and increase the efficiency and effectiveness of the foreign assistance program. A new integrated budget review system is in place which considers the totality of U.S. aid requirements for each developing country and recommends what mix and levels of U.S. assistance possibilities--PL 480, Economic Support Fund, Development Assistance, and Military Assistance--will best meet a country's needs against what we have available. Where possible, it is Administration policy to move away from large resource transfers and toward assistance packages that deal with the longer term and economically self-sustaining requirements of developing nations. And we are emphasizing the critical importance of effective implementation of funds already committed. The deobligation-reobligation authority now available by statute gives us an important management device to shift funds committed in past years from what have become problem programs to new, more needed uses. And, as a final example, we are taking steps to make certain that the experience we have gained from successfull programs, and those less so, are applied in our choice of new aid projects.

Question:

7. Along these same lines of getting the most out of our foreign aid dollar, I am concerned that the Administration is once again proposing to cut the United States contribution to U.N.I.C.E.F.--a program that almost everyone agrees is very worthwhile both in terms of its goals and in terms of its results. What is the Administration's justification?

Answer:

-- The Administration has requested $27 million from Congress in FY 1985 for the U.S. Contribution to UNICEF. This is not a cut in our request; it is the same amount as was requested in FY 1984 and $1 million more than was requested in FY 1983.

-- Although this request is less than the amount appropriated by Congress in FY 1984 ($52.5 million), this does not mean that the Administration has misgivings about UNICEF's program or effectiveness. Rather, it represents our view of what is needed from the USG, along with contributions from many other governments and sources, to maintain UNICEF's critical program efforts. Moreover, our own foreign assistance complements UNICEF efforts in such vital areas as oral rehydration therapy and child immunization programs.

-- The Administration's request in FY 1985 and in previous years have represented a balance between the need for reduced, balanced federal budgets and the U.S. interest in supporting UNICEF activities.

QUESTIONS SUBMITTED BY SENATOR BUMPERS

Q. Senator Bumpers. In September of 1985 we lose our seven Trident submarines and put in Europe 1200 MIRV missiles and the Soviets had been under their limit, they had been for many years, they have the capability of doing well above it. This would put us well above the SALT II constraint of 1200 MIRV missiles. Do you have any idea what our position will be at that time? Will we dismantle a sufficient number of MIRVs to stay within the 1200 limit?

A. US policy on interim restraint was set by the President in 1982, when he stated that, "As for existing strategic arms agreements, we will refrain from actions which undercut them so long as the Soviet Union shows equal restraint." The US is continuing to carry out its obligations and commitments under relevant agreements, including our no undercut policy on existing arms control agreements. In keeping with this policy, compensating dismantlements for new Trident launchers in excess of SALT I Interim Agreement limits have been completed or are programmed using Polaris and Titan II strategic ballistic missile launchers that have been deactivated, and we have programmed sufficient money through the end of Fiscal Year 1985 for continued dismantlement of these launchers in accordance with SALT I procedures.

The SALT II Treaty as written would have expired in December 1985, had it been ratified. It is the seventh Trident that will bring into play the possible applicability of both SALT I and SALT II limits. However, sea trials for the seventh Trident submarine are not scheduled to begin until late 1985, i.e., during FY 86. Thus, no decision need be taken at this time regarding compensation for the seventh Trident. The US will carefully evaluate both the international situation and our own national security requirements in reaching such a decision.

Senator Bumpers. When do you think that will happen?

Secretary Shultz. U.S. personnel are acting as support for the Caribbean Peacekeeping Force (CPF), our total withdrawal will therefore depend on the length of time the CPF stays in Grenada. Prime Minister Adams of Barbados and others have recommended that the CPF remain in Grenada until two months after elections are held.

Senator Bumpers. How many support forces do we have there?

Secretary Shultz. There are currently approximately 350 U.S. military personnel on Grenada.

Senator Bumpers. When will they be out?

Secretary Shultz. At this time we do not have a specific withdrawal date. Withdrawal of U.S. and CPF forces will depend on our assessment of the capability of the Grenadian police to maintain law and order.

QUESTIONS SUBMITTED BY SENATOR JOHNSTON

THE FUTURE ADMINISTRATION OF MICRONESIA

Q1. I understand that the Department has available $93,000 for a pre-feasibility survey for construction of facilities for State Department personnel.

Will any of these funds be spent or obligated prior to Congressional action on the Compact of Free Association?

A. The Department has not and does not plan to conduct any activities toward the construction of permanent office and residential facilities in Micronesia until Congress acts favorably on the Compact for Free Association and provides funding.

Q2. I understand that the Department has budgeted some $3,193,000 for construction of facilities for State Department personnel in Micronesia in FY 1985.

Please furnish for the record a comparison of the estimated cost of these facilities with that requested by the Administration for capitals relocation in the FMS.

In your comparison, please note if there are any differences in projected cost, and space allowed per person and if there is, why.

Will any of these funds be obligated prior to Congressional action on the Compact of Free Association?

A. The FY 1985 State Department Budget requests $3,193,000 for salary and operating costs of personnel both in Washington (OSMN) and SLNO offices in the Pacific. Of the above amount, $1,600,000 was requested for architectural and engineering studies for the construction of permanent office and residential quarters on Ponape and Majuro. There are no amounts included in the $3,193,000 for construction and no funds will be obligated prior to Congressional approval of Compact legislation.

U.S. INFORMATION AGENCY

STATEMENT OF CHARLES Z. WICK, DIRECTOR

ACCOMPANIED BY:

KENNETH Y. TOMLINSON, ASSOCIATE DIRECTOR FOR BROADCASTING
RONALD L. TROWBRIDGE, ASSOCIATE DIRECTOR FOR EDUCATIONAL AND CULTURAL AFFAIRS
ALVIN SNYDER, DIRECTOR, TELEVISION AND FILM SERVICE
VICTOR H. LI, PRESIDENT, EAST-WEST CENTER, INC.
STANLEY M. SILVERMAN, AGENCY BUDGET OFFICER

INTRODUCTION OF WITNESSES

Senator LAXALT. Our next request is that of the U.S. Information Agency. Appearing on behalf of this request is Charles Z. Wick, the Director.

Mr. Wick, if you like, you may introduce the people accompanying you, and then we will be pleased to hear your testimony.

Mr. WICK. Thank you. On my far right is Victor Li, who is President of the East-West Center, Inc., and next to him is Ken Tomlinson head of the Voice of America. To my immediate right is Ronald Trowbridge, Associate Director for Educational and Cultural Affairs. On my immediate left is Stanley Silverman, Agency Budget Officer and at my far left is Al Snyder, Director of the Television and Film Service.

Senator LAXALT. You are all very welcome.

Mr. WICK. Thank you very much, Mr. Chairman. Recognizing the abbreviated time period and at the risk of prejudicing our case, I have abbreviated my 17-page statement. The rest of my presentation can be made with audiovisuals, which I think will save a lot of reading and possibly be much clearer to the subcommittee. I would estimate the statement should not take over 3 minutes.

[The statement follows:]

PREPARED STATEMENT OF CHARLES Z. WICK

DIRECTOR

UNITED STATES INFORMATION AGENCY

Mr. Chairman, Members of the Subcommittee:

I am pleased to be here today to present the appropriation request for the United States Information Agency for fiscal year 1985, as well as supplemental requests for fiscal year 1984.

The Agency's amended request for 1985 totals $885.4 million, covering seven appropriations. Requirements for our regular core operating programs comprise $692.8 million of that total and represent an increase of $86.8 million over comparable 1984 levels. The balance of our estimates is made up of several very special requirements: full year funding for the newly created National Endowment for Democracy; the extraordinary requirements of the Central American initiative; and the Radio Marti Program of the Voice of America. In addition, the long-recognized capital needs for VOA modernization comprise a major part of our increased needs in FY 1985. With the inclusion of these important, but unique requirements, our budget increase totals $213.2 million.

I appear before you today with a sense of urgency and responsibility: urgency because of the troubled world climate, and responsibility because the mission of USIA has become so important in our interdependent world.

At USIA's 30th Anniversary ceremony recently, United Nations Ambassador Jeane Kirkpatrick said, "It is...the politics of our times that has made lies one of the principal instruments of international political action. I believe that just as lies go with violence, truth is the instrument of peace. I think that the establishment and preservation of peace in our times is ineffably associated with the projection of truth in our times. That's what makes the mission of USIA so incredibly important in my view."

After far too many years on the periphery, the U.S. Information Agency has moved to the center of our country's foreign policy efforts. The administration has called for energetic advocacy of our nation's policy objectives. Today we are moving USIA into the future as we harness new technology to tell America's story to the world. But, without adequate resources, we cannot take advantage of the technology available to us to make the truth known and to get America's message across.

I do not have to tell you that the United States faces many serious challenges today. In the Soviet Union, we face a formidable military, political, and ideological adversary. I submit to you that the ideological -- the war of ideas -- is by no means the least important of these.

A weak overseas information program, because it cuts back on our arsenal of influence, is as dangerous as a weak defense posture. Gaining American influence requires resources that can have an immediate, substantive impact on our ability to serve effectively the national interest.

I would like to discuss with you today the special budget requirements which I have already noted: the modernization of the Voice of America, the enhancement of the National Endowment for Democracy, the Central American Educational and Cultural Initiative, and the Radio Marti Program of the VOA. I will also explain the other major components of our budget increase, particularly the expansion of WORLDNET -- the Agency's state-of-the-art international closed-circuit satellite television network -- and the enhancement of Fulbright, International Visitor, and other exchange-of-persons programs.

Modernization of Voice of America Facilities and Operations

The President and many members of Congress share the belief that it is time that the Voice of America -- America's voice -- ceases to be muffled by inadequate and outdated equipment.

On March 1st, at a signing ceremony at the White House for the Voice of America's Tangier Relay Station Agreement in the presence of the Prime Minister of Morocco, the President said, "Were it not for many years of neglect, the Voice of America could be heard more clearly by many more people around the globe. And that's why our Administration has made the same kind of commitment to modernizing the Voice of America that President Eisenhower and President Kennedy brought to the space program."

The Los Angeles Times stated in an editorial on May 17, 1983, "The Voice, in its news operations, is required by law to report fully and impartially on events in America and the world. It is required, in other words, to tell the truth. The truth is a powerful weapon, but it is powerful only when it can be heard. The Voice of America deserves to be heard more clearly and widely than its present physical and personnel resources allow."

In an editorial on May 4, 1983, The Wall Street Journal noted ". . . the Voice's physical plant is going to pieces. . . . If there is one thing about which there is a consensus among those attentive to policy, it is that our radios do much for us in the world and can do more."

Much of the Voice of America was built over thirty-five years ago, and some of its equipment still being used today was captured from the Nazis. Of 108 transmitters more than 80% are 15 years old or older; more than 35% are 30 years or older. Indeed, the Voice of America has had to make its own replacement parts for some of its equipment because such spare parts are no longer manufactured.

That is why President Reagan has proposed a multi-year, $1 billion program to modernize VOA facilities and make improvements in its programs and staff. The Congress, too, has recognized the need to update the Voice of America. In 1985, we are seeking an augmentation of $82.7

million in construction funding in addition to an increase of $16.6 million for VOA operations. Together, these represent almost half of the total increase in our budget.

With this projected increase in funding, we will begin to realize the long-promised and often elusive goal of bringing the VOA up to modern international broadcasting standards. When the modernization of VOA is completed, in the 1990's, America's voice will be able to ring out clearly and strongly throughout the world.

The 1985 budget increase will enable VOA to proceed with the construction of new and upgrading of obsolete transmitters and antenna systems in critical areas of the world. The increase will also provide for new positions at the Voice of America and for an expansion of VOA broadcasts.

We are making great progress with VOA's modernization -- in the last three months, we have successfully negotiated new agreements with the governments of Sri Lanka and Morocco for new VOA high powered short-wave stations. These are the first new agreements for Voice of America installations since 1963. Other negotiations and discussions with foreign governments are in progress. A cooperative effort on the part of the Department of State, the National Security Council and the Department of Defense is helping to make these negotiations succeed.

In spite of the difficulties of broadcasting with equipment often decades out of date, our messages are getting through. And, according to some recent data, they are more in demand than ever.

VOA listenership in Poland, for example, has doubled in the past two years, according to a recently released analysis of radio listening habits in Eastern Europe prepared for Radio Free Europe. Some 11 and 1/2 million people now listen to VOA's Polish language broadcasts -- more than 40 percent of that country's adult population.

On last September 24, President Reagan addressed the people of the Soviet Union via the Voice of America, the first chief executive to do so since President Eisenhower broadcast a message to the world on VOA's 15th anniversary in 1957.

In order to reach freedom fighters in Afghanistan more effectively, the Voice will, in the very near future, increase to a total of 4 hours daily its broadcasts in Dari and Pashto to that country.

A new program called "Focus" has begun at VOA which gives in-depth bipartisan treatment to major issues and reflects the "voices of America." We have also expanded "Opinion Roundup" and featured leading American commentators in our "Viewpoint" program.

The summer of 1983 saw the resolution of a long-standing problem for VOA's news coverage. For the first time ever, VOA correspondents assigned to cover Congress have received accreditation and are able to seek the news on the same basis as the correspondents of other news media, including Tass.

In October of 1983, groundbreaking ceremonies inaugurated the construction of four modern broadcast studios at VOA headquarters. These new studios will serve as prototypes for renovating 19 other studios that were built in 1954.

This January, on the 25th anniversary of the coming to power of the Castro regime, President Reagan spoke to the people of Cuba over the Voice of America. The President recalled the early promise of Castro's failed revolution. He also spoke about VOA's Radio Marti program, which will soon beam the truth to the Cuban people. We have leased office space and begun staffing for the Cuba Service while we are preparing and implementing a complex set of technical and logistical requirements. We plan to go on the air within the next six months.

Let me mention just one set of figures for comparison of Soviet and U.S. broadcasting activities. The Soviets are outprogramming the Voice of America by over a 2 to 1 margin. The USSR is the leading communist broadcaster with 2,175 hours a week in 81 languages, according to the most recent data available. By comparison, VOA broadcasts 982 3/4 hours per week in 42 languages. Of course, the most complete comparison figures of Soviet and American international broadcasting would have to include the programs of Radio Free Europe and Radio Liberty, keeping in mind that they are broadcasting only to the USSR and Eastern Europe. RFE and RL broadcast a total of 1,021 hours per week in 21 languages. Therefore, the total number of U.S. broadcast hours is 2,003 3/4 per week in a total of 48 languages, against the Soviet's 2,175 hours per week in 81 languages.

Television Programs

USIA's mission -- that of telling America's story to the world -- has not changed since President Eisenhower established the Agency in 1953. But, the technology available to carry out that mission has literally gone from the vacuum tube to satellite television. Therefore, more than a year ago, we began to think seriously about how we could use satellite technology to enhance our public diplomacy and get our message across -- a message that in the past has too often been muffled or distorted.

In Europe, there is now a TV set for approximately every three people. There has been a rapid increase in availability of TV sets in the developing world since 1975. In Africa, the number has increased ninefold.

Congressman Dante Fascell, chairman of the House Foreign Affairs Committee, wrote about USIA in the January 1984 issue of Foreign Service Journal, "The advent of satellite broadcasting... has put the need for a dynamic television and film service beyond dispute."

We have made what we believe is a dramatic start with WORLDNET.

WORLDNET is our international closed-circuit satellite television network. This state-of-the-art system is a one-way video, two-way audio hookup via satellite that links foreign opinion makers overseas directly with American officials in Washington. Top print, radio and television correspondents conduct live interviews from foreign countries with authoritative figures in Washington and elsewhere. We began the program with European posts and later added Latin American and Mediterranean posts to our feed. Eventually, WORLDNET will link Washington with every region of the world.

Last November, we launched the system with our EURONET broadcast of an interview between U.N. Ambassador Jeane Kirkpatrick in New York, Prime Ministers John Compton of St. Lucia and Tom Adams of Barbados, both in Barbados, and journalists in five European capitals discussing the United States action in Grenada. Other top government officials, such as Secretary of State George Shultz, Secretary of Commerce Malcolm Baldrige, Arms Control and Disarmament Agency Director Kenneth Adelman, former Secretary of State Henry Kissinger, and Assistant to the President for National Security Affairs Robert McFarlane have also appeared on our programs. Last Tuesday, Richard Scammon, a member of the National Bipartisan Commission on Central America, and Otto Reich, of the Department of State, discussed the Salvadoran elections with correspondents in Europe and Latin America.

When we began EURONET we did not anticipate the tremendous enthusiasm on the part of the press overseas, who were able to have regular, high-level access to key American officials. One German editor wrote, after talking with NASA's deputy administrator Hans Mark on EURONET, that the exchange was "the next best thing to being in the room with him." And from an editor in Belgium, writing in the Brussels newsletter Western World, came the statement that the new system may prove to be more important to the Atlantic Alliance than "the 'coupling' of the defense of two continents by the stationing of American Pershing II and cruise missiles in Europe."

I would like to mention specifically just one of our many broadcasts to date -- a program of which I am particularly proud. Last December, we simultaneously linked President Reagan in the White House, West German Chancellor Kohl in Athens, Greece and three astronauts in the orbiting

Spacelab. More than 20 million Germans, as well as millions more elsewhere in Europe, saw the program live that day. About 100 prominent individuals watched the program from the American Library in Rome, including members of the Italian Parliament and a Supreme Court Justice. Every member country of the European Broadcasting System picked up the feed. It was a dramatic demonstration of what can be accomplished by free people working together.

The unique opportunity of observing American officials, thousands of miles away, in open uncensored discussion with local correspondents has brought new, important visitors to our embassies and thus enhanced direct contact between embassy officers and the visitors. We are reviewing all possibilities to improve our WORLDNET programs and techniques. Several of our embassies now handle the WORLDNET signal by microwave link to their host countries' earth stations. In time, we hope to link our embassies directly to the satellites. This and other changes will broaden contact and program possibilities including a two-way video capability.

WORLDNET audiences of TV, radio and print media have been impressive. Nearly 100 million people in Europe saw President Reagan's disarmament speech on television. Some 58 million people in Europe saw, heard or read excerpts of Secretary of Defense Casper Weinberger's EURONET program on March 8. The audience was 56 million people in Europe for Secretary of State George Shultz and 80 million people in Central and South America who saw, heard or read excerpts of Langhorne Motley's ARNET program on January 21.

WORLDNET offers statements on vital U.S. foreign policy issues. As the Journal de Geneve said in a January 31 article by foreign affairs commentator Antoine Maurice, "WORLDNET...is the United States Information Agency's most powerful propaganda innovation of recent years. Senior American administration officials are 'served up hot' to the European press, just at the right time when tomorrow's papers are starting to be put together."

This initiative puts us ahead of the USSR and all others in the use of technology to present our ideas with candor and impact. Again, USIA is taking a leadership role in technological advances. And yes, we are finally getting America's message across.

The potential of this system has been demonstrated. Now we would like to expand this communication technique to the rest of the world. We plan in the coming year to add seven cities to our EURONET feeds, and six to the AMERICAN REPUBLICS NET. We also expect to add the Pacific area, India, and Africa to our network.

Our 1985 request would allow us to expand those broadcasts to 3 hours a day, once a week to each of the five regions around the world. With this increased time and the addition of more European and Latin American cities, we plan to continue with our successful video teleconferencing in the field of foreign policy -- which allows key audiences overseas to interact with American government officials and experts from the private sector -- while expanding to new areas such as science and technology, the arts, and academic seminars.

WORLDNET is the most important advance in the way the Agency tells America's story since the Voice of America went on the air. Our 1985 request provides an increase of $27.5 million for WORLDNET and other television initiatives.

Exchange Programs

In moving into the future with the latest technology, we are also committed to the value of people-to-people exchanges. Our planned enhancement of the Fulbright, International Visitor and other exchange-of-persons programs will continue the growth of valuable links between people of this country and people around the world. Indeed, America's exchange programs are a national imperative. An increase of $22.4 million is requested for this purpose.

Exchange-of-persons programs are designed to foster a long-term understanding of the United States. These programs work. Forty-four heads of state and heads of government and 495 cabinet level officials around the world are former participants in Agency sponsored exchange-of-persons programs. There are almost a thousand parliamentarians in 92 countries, and two to three thousand middle-level government officials, alumni of official exchange programs, who have been impressed with our free society.

The Soviets and their allies clearly understand the importance of exchanges. Since 1978 they have more than doubled the number of civilian education and training scholarships awarded to foreign students. In 1982, the Soviet bloc offered civilian education and training scholarships to approximately 102,400 students. This compares with 8,200 students who came to the United States under U.S. Government sponsored education and training programs.

The increase requested in the 1985 budget will fund an additional 600 international visitors, 350 additional academic exchanges, and improve the quality of our International Visitor program support. It will also augment funding of the Congress-Bundestag Program by over $1 million, bringing funding to the authorized annual level of $2,500,000. The latter program was initiated by the Congress last year.

Although this increase will also enhance the President's International Youth Exchange Initiative, we are not relying only on government funds to underwrite this important program. To date, the private sector has pledged $3.9 million to the Youth Exchange Initiative.

Central American Educational and Cultural Initiative

The Agency is seeking a $7.0 million supplemental in 1984 and $36.4

million in 1985 to implement the recommendations of the National Bipartisan Commission on Central America.

As that report points out, the current crisis in Central America requires urgent action by the United States "... to begin a positive program to advocate the principles of democracy, support those people and institutions committed to democratic development, build and reinforce bonds based on shared values between our nations, and counter the spread of non-democratic systems through the active interchange of ideas and vigorous democratic institutions."

For some time, the Agency has been concerned about the paucity of educational and cultural contacts between the United States and the countries of Central America. A report on U.S./Central American exchanges prepared by the Agency last fall concluded that "the Soviet Union and its allies are now sponsoring more Central Americans for educational and training purposes than the total number of Central Americans who come to the U.S. for education or training of all kinds." Total Soviet-Bloc figures now exceed U.S. Government-sponsored awards to Central Americans by a ratio of fourteen-to-one.

In 1982, the last year for which complete figures are available, 600 persons participated in U.S. Government-sponsored exchanges between the U.S. and Central America. In the same year, an estimated 7,415 Central Americans were trained and educated in the Soviet Union, Eastern Europe and Cuba under the sponsorship of the Soviet Union and its allies. More than 4,000 Central American university-level students are studying in Cuba alone.

As the National Bipartisan Commission pointed out in its report, it is possible to make a difference in Central America because the nations there and their populations are small. The USIA program you are considering would make a dramatic contribution to the development of political, intellectual, and social infrastructures in the area and to the development of democratic systems and strong bilateral ties.

Specifically, the Agency proposes to administer programs in the following areas:

-- We will inaugurate a long-term scholarship program that will bring 2,700 upwardly mobile undergraduate students to U.S. universities over a five-year period to meet the social and economic objectives outlined by the Bipartisan Commission, at a cost of $5.0 million in 1984 and $24.0 million in 1985.

-- In order to expand assistance for democratic institutions and leadership training, we will expand the International Visitor Program, increase support of Binational Centers and English language training, and augment funding for the National Endowment for Democracy, at a total cost of $2.0 million in 1984 and $6.4 million in 1985.

-- We will increase the availability of important books in Central America by supporting the publication of 400 new American titles in Spanish at publication centers in Barcelona, Buenos Aires, and Mexico City and identifying and acquiring 140 copies each of 1,500 titles already in translation and making them available for placement in libraries in the area. These book programs will require $6.0 million in 1985.

The Soviet Union is the world's fourth largest publisher of books in Spanish. In 1982, the Soviet Union produced 11.6 million copies of 391 titles in Spanish. In the same year, USIA produced 154 thousand copies of 78 titles in Spanish.

National Endowment for Democracy

Among the initiatives worked out in close cooperation with the Congress in the past year is the National Endowment for Democracy. We are working with the Endowment on the details of its organization and funding levels, and request $31.3 million for this purpose in FY 1985.

Other Resource Requests

In addition to the FY 1984 program supplemental for Central America, we are also seeking $5.5 million to meet the added costs of the Federal pay act and related benefit changes. We have also presented to the Committee a reprogramming report that will enable us to get started on WORLDNET and meet other important FY 1984 requirements.

I would like to mention several other recent Agency activities briefly.

The 1985 budget estimates also include a $19 million component for the East-West Center. The work of the East-West Center is well known to the Committee but I would like to mention that the Center's Culture Learning and Communication Institutes were recently consolidated into a single Institute. This new combined Institute is being let by the very able Dr. Mary Bitterman, former director of the Hawaii State Department of Commerce and Consumer Affairs and a former director of the Voice of America.

In April 1983, the People's Republic of China cancelled all official cultural exchange programs remaining under the 1982-83 Implementing Accord. In October 1983, Chinese Foreign Minister Wu and Secretary of State Shultz agreed on the desirability of renewing official cultural exchange. USIA is now drafting a new Implementing Accord for 1984-85, on which we hope to reach an agreement in time for President Reagan's trip to China in April 1984.

In the hours and days following the destruction of the Korean airliner on September 1 by the Soviets, USIA mobilized its resources in support of urgent U.S. diplomatic initiatives around the world. The most striking example of our work was the 11-minute videotape, documenting the stalking and shooting down of the KAL plane, which was used in the U.N. Security Council debate. It was the first time a video document had been used in a Security Council debate and the impact was substantial.

USIA also mobilized its resources to assist in telling the world about the rescue operation in Grenada. The Voice of America carried live the October 25 announcement and press conference by President Reagan and Prime Minister Eugenia Charles of Dominica, along with Secretary of State Shultz's press conference on the same day and the President's speech two days later. Agency personnel worked closely with the Departments of State and Defense during the Grenada operation. As I noted earlier, on November 3, via EURONET, a special two-hour satellite press conference provided key European editors with an opportunity to discuss the Grenadian situation directly with Ambassador Jeane Kirkpatrick in New York, Prime Ministers Adams and Compton in Barbados and Department of State experts in Washington.

In addition to these special activities during the rescue operation in Grenada and following the KAL tragedy, we have continued to rely on USIA's more traditional tools -- personal contact overseas, magazines, exhibits, cultural presentations, speakers, and films -- to carry out our mission abroad.

As I believe this overview of our activities makes clear, the rapid pace of events, the complexity of issues and the differing and often contradictory interpretations which are placed on America's initiatives make it imperative that we articulate the United States' policies clearly and forcefully. We also must continue to build through our long term exchange programs a solid foundation of knowledge about American society and its institutions to strengthen understanding of our current policies.

The urgency that I feel as I present USIA's request is heightened by the knowledge that the Soviets have entered into the war of ideas willing to spend what is needed to win. We do not have exact Soviet budget figures, of course, but we have fairly reliable estimates of Soviet spending, which in 1982 was about $2.125 billion dollars for activities comparable to those of USIA, although this figure may not include construction costs such as are included in our budget for VOA construction. Nor do those figures include activities by Tass, Izvestia, or Novosti. Nonetheless, the $2.125 billion figure can realistically be compared to the less than $1 billion for USIA.

With USIA programs such as WORLDNET, we are strengthening America's ability to get its message across. And we are having an effect. In an editorial on December 27, The Wall Street Journal called EURONET, "part of a new U.S. shot at getting its policies better understood abroad...It looks as if USIA is up to some good, and putting American officials directly before European questioners and audiences is bound to increase the understanding of all concerned."

I ask for your continued support and assistance for USIA as we carry out our mission and try to get America's message across. I should like to thank the Members of this Subcommittee for their cooperation during this past year.

I appreciate the time you have given me today. I would be pleased to respond to any questions you may have.

BUDGET REQUEST

Mr. WICK. Mr. Chairman, members of the subcommittee, I am pleased to be here today to present the appropriation request for the U.S. Information Agency for fiscal year 1985, as well as the supplemental requests for fiscal year 1984.

As you have noted, this Agency's amended request for 1985 totals $885.4 million, covering seven appropriations. Requirements for our regular core operating programs comprise $692.8 million of that total and represent an increase of $86.8 million over comparable 1984 levels. The balance of our estimates is made up of several very special requirements: full year funding for the newly created National Endowment for Democracy; the extraordinary requirements of the Central American initiative; and the Radio Marti Program of the Voice of America. In addition, the long-recognized capital needs for VOA modernization comprise a major part of our increased needs in fiscal year 1985. With the inclusion of these important, but unique requirements, our budget increase totals $213.2 million. These unusual elements of our USIA budget comprise 60 percent of the total increase.

PROGRAM MODERNIZATION

I should like to discuss with you today the modernization of Voice of America facilities and operations and the Central American Educational and Cultural Initiative.

I will also explain the other major components of our budget increase, particularly the expansion of WORLDNET— the Agency's state-of-the-art interactive closed-circuit television net-work—and the enhancement of Fulbright, International Visitor, and other exchange-of-persons programs.

With your permission, to complete my presentation, rather than reading the rest of my opening statement which will be submitted for the record, I would like to introduce Alvin Snyder, the Director of our Television and Film Service, who will give you a very brief explanation of WORLDNET and respond to any questions you might have.

Senator DECONCINI. May I interrupt, Mr. Chairman?

Senator LAXALT. Senator DeConcini.

Senator DECONCINI. Mr. Wick, I am sorry I have to leave. I have a number of questions from Senator Hollings and myself that deal with your appropriation of $500,000 of air conditioning and some explanation in that area and, of course, the controversy that has arisen, which you and I talked about in our office. I would like to have some questions submitted and your written answers.

Thank you, Mr. Chairman.

Senator LAXALT. Without objection, they are submitted.

Mr. WICK. We will be very happy to respond.

Senator LAXALT. Do we have any other questions or comments ahead of presentation?

Senator BUMPERS. No, sir.

Senator LAXALT. Senator Specter?

Senator SPECTER. No, thank you.

Senator LAXALT. Let's proceed with the demonstration.

[The demonstration follows:]

VIDEO PRESENTATION

(Worldnet intro/Dolphin)	AFTER 30 YEARS USIA ACHIEVES DRAMATIC BREAKTHROUGHS IN SATELLITE TECHNOLOGY GAINING UNPRECEDENTED ACCESS TO WORLD MEDIA. THROUGH WORLDNET, A LIVE SATELLITE HOOK-UP, WORLD JOURNALISTS INTERVIEW POLICYMAKERS IN THE UNITED STATES EVERY WEEK.
(Reagan split screen)	PRESIDENT REAGAN AT THE WHITE HOUSE, CHANCELLOR KOHL IN ATHENS, WITH THREE ASTRONAUTS IN SPACE, WHO WERE QUESTIONED BY JOURNALISTS IN 7 EUROPEAN CITIES .
(Reagan sound on tape [sot])	"This is one heck of a conference call." "From London this is James Wilkinson of BBC television news...This is Herman Handock of the Belgium Radio Network...(German reporter's question)..."
(tv set with viewers super)	IN GERMANY ALONE 18 MILLION VIEWERS WATCH THIS EXTRATERRESTRIAL PRESS CONFERENCE, WITH TOTAL VIEWERSHIP OF OVER A HUNDRED MILLION THROUGHOUT THE WORLD.
(Grenada footage)	AT A TIME WHEN U.S. ACTIONS IN GRENADA WERE BEING QUESTIONED, BRITAIN'S
(British anchorman)	LEADING EVENING NEWSCAST USED 11-MINUTES FROM A WORLDNET PROGRAM, ORIGINATING FROM WASHINGTON, THE UNITED

	NATIONS AND BARBADOS. AND IN ROME THE
(Rome big screen)	ITALIAN NETWORK COVERED THE EVENT IN PRIME TIME AS U.N. AMBASSADOR JEAN KIRKPATRICK IN NEW YORK FIELDED QUESTIONS FROM 25 EUROPEAN NEWS ORGANIZATIONS.
(Shultz/voice over [vo])	OTHER WORLDNET PROGRAMS CREATE NEWS. JUST DAYS BEFORE SECRETARY OF STATE SHULTZ ATTENDED THE DISARMAMENT CONFERENCE IN SWEDEN, HE SET THE STAGE ON WORLDNET, INDICATING A READINESS TO RESUME TALKS WITH THE SOVIET UNION. (Shultz sot) "We all think it is a good one and I am confident that we'll be in a position when we get to Stockholm to state it..." THE PROGRAM WAS SEEN BY MILLIONS IN EUROPE. IN SWEDEN ALONE, TWO MAJOR NETWORKS EXTENDED THEIR NEWSCAST TO INCLUDE 50-MINUTES OF THE BROADCAST.
(Kissinger vo)	ON THAT SAME DAY, HENRY KISSINGER APPEARED FROM BRUSSELS ON THE AMERICAN REPUBLICS NETWORK, A PART OF WORLDNET. HE FIELDED QUESTIONS ON HIS CENTRAL AMERICAN REPORT, REACHING AN ESTIMATED HUNDRED MILLION VIEWERS IN LATIN AMERICA. VENEVISION, THE LEADING TV NETWORK, AIRED 30 MINUTES OF THE
(studio/controlroom scenes)	BROADCAST IN PRIME TIME. NOW FOR A BEHIND THE SCENES LOOK AT A WORLDNET IN PROGRESS:

(Foster/Younger/McFarlane)	(audio sequence of all three) "Go ahead London..." "Okay, this is still London. Sam Younger, BBC World Service. Um, you were saying that you supported the idea of the P.L.O. getting out, Arafat and his men getting out of Tripoli. What guarantees have you from the Israelis that they are going to allow that to happen?" "The Government of Israel has maintained..." THIS SPECIAL NEWS CONFERENCE WITH PRESIDENTIAL ADVISER ROBERT MCFARLANE ENABLED MEDIA REPRESENTATIVES FROM EUROPE AND THE MIDDLE EAST TO PARTICIPATE IN A FORUM.
(Eagleburger/vo)	OTHER WORLDNET ACCOMPLISHMENTS INCLUDE: THE EAGLEBURGER INTERVIEW AIRED IN PRIME TIME THROUGHOUT EUROPE, INCLUDING FOUR MINUTES IN BRITISH TELEVISION. AND THE INFLUENTIAL BRUSSELS DAILY
(Baldridge vo)	NEWSPAPER LE SOIR, AFTER QUESTIONING COMMERCE SECRETARY BALDRIGE, HEADLINED "CONCILIATION WITH EUROPE VIA SATELLITE."
(ADO MOVE)	
(Western World quote)	THE WORLD PRESS HAS LAUDED THE ACHIEVEMENTS OF WORLDNET. THE INFLUENTIAL BRUSSELS PUBLICATION WESTERN WORLD SAID: "This

	communications linkup between Western Europe and the United States may prove more important to the Alliance than the 'coupling' of the defense of two continents by stationing of the American Pershing II and Cruise missiles in Europe."
(Le Soir quote)	"Euronet Answers Tass." THE HEADLINE IN LE SOIR FROM BRUSSELS.
(Wall Street Journal quote)	AND IN THIS COUNTRY THE WALL STREET JOURNAL SAID: "The USIA has gone high-tech to allow European journalists to reach out and touch U.S. officials..It looks as if USIA is up to some good..."
(Euronet intro vo)	THE UNITED STATES IS AHEAD OF THE SOVIET UNION IN UTILIZING SATELLITE TECHNOLOGY TO FURTHER DIPLOMACY. WITH WORLDNET ON THE AIR, WE'VE EVEN SURPASSED THE B.B.C. WHOSE SATELLITE TELECASTING ISN'T PLANNED TO BEGIN FOR AT LEAST A YEAR.(U.N. in session) "AT THE U.N. HEARING ON THE K.A.L. SHOOTDOWN, AMBASSADOR JEAN KIRKPATRICK WITH THE ASSISTANCE OF U.S.I.A. PRESENTED A VIDEOTAPE WHICH FORCED THE TRUTH FROM THE SOVIETS, BY SHOWING THE FIRST VIDEO DOCUMENT EVER IN FORMAL PROCEEDINGS AT THE SECURITY COUNCIL.

(font on black)	(Russian translation)
(I HAVE EXECUTED LAUNCH)	
(THE TARGET IS DESTROYED)	USIA WAS ALSO RESPONSIBLE FOR THE PLACEMENT OF TELEVISION MONITORS BEHIND THE SOVIET DELEGATION...AN ADDITIONAL, UNWANTED EMBARRASSMENT FOR THE RUSSIANS. THE AGENCY TRANSLATION OF THE SOVIET PILOT'S COMMUNICATIONS STOPPED THE SOVIET UNION IN ITS TRACKS. WITHIN 20 MINUTES OF THE VIDEOTAPE PRESENTATION THE SOVIETS ADMITTED SHOOTING DOWN K.A.L. 007.
(page wipe/girl getting off bus from PSA (SUPER: Public Service Announcement - Donated by Advertisement Council)	A CRITICAL ELEMENT IN ACCOMPISHING THE USIA MISSION IS THE BROAD ARRAY OF FOREIGN EXCHANGE PROGRAMS. AND THE PRESIDENT'S YOUTH EXCHANGE IS A RECENT EXAMPLE OF THE EFFORT TO REVITALIZE THE EXCHANGES. THE ADVERTISING COUNCIL DONATED A MEDIA PACKAGE OF RADIO, TELEVISION AND MAGAZINES WITH A RETAIL VALUE OF 30-MILLION DOLLARS. (open track of PSA) "To live for a time with American families and attend American schools. To help bring the world closer together." SUPPORT WAS ENLISTED FROM THE PRIVATE SECTOR TO PRODUCE A SPECIAL PUBLIC SERVICE ANNOUNCEMENT TO ENCOURAGE MORE

	PUBLIC PARTICIPATION. THIS YEAR'S EXCHANGE STUDENT COULD BE TOMORROW'S LEADER. THE PRESENT HEADS OF 40 COUNTRIES AROUND THE WORLD ARE ALUMNI OF USIA PROGRAMS.
(Gandhi footage)	PEOPLE LIKE INDIA'S INDIRA GANDHI, WHO PARTICIPATED IN THE INTERNATIONAL VISITOR PROGRAM IN 1961. AND LEBANESE PRESIDENT AMIN GEMAYEL WAS HERE IN 1972 AND 1979 FOR THE INTERNATIONAL VISITORS PROGRAM.
(more psa)	THE U.S HAS BEEN OFFERING SUCH PROGRAMS FOR 46 YEARS. NOW THE CHALLENGE TO RE-VITALIZE MUST BE FACED. AND 46 YEARS OF SUCCESS HAVE PRODUCED THE INEVITABLE COMPANION EFFECT, COMPETITION WITH OTHERS.
BAR GRAPH COMPARISON	IN 1982, THE LATEST YEAR THAT FULL FIGURES ARE AVAILABLE, THE UNITED STATES FUNDED 8,600 VISITS BY FOREIGNERS, BUT IN THAT SAME YEAR THE SOVIET UNION AND ITS ALLIES SUPPORTED AN ESTIMATED 102-THOUSAND, 4-HUNDRED OPPORTUNITIES FOR EDUCATION AND TRAINING OF FOREIGNERS. WE CAN'T AFFORD TO LET THE SOVIETS STAY AHEAD IN THIS AREA.
(page turn to voa studio)	EACH WEEK THE VOICE OF AMERICA REACHES MORE THAN 110-MILLION PEOPLE WITH NEARLY ONE THOUSAND HOURS OF BROADCASTING IN 42 LANGUAGES. WITH

	INCREASES IN THE QUALITY OF V.O.A. PROGRAMMING
(slide/newsroom)	THAT FIGURE IS RISING RAPIDLY. DURING THE PAST TWO YEARS IN POLAND ALONE--VOA LISTENERSHIP HAS MORE THAN
(video people listening)	DOUBLED. MORE THAN 40 PERCENT OF THAT COUNTRY'S ADULTS LISTEN TO OUR BROADCASTS.
	IN EASTERN EUROPE, THE SOVIET UNION, THE PEOPLE'S REPUBLIC OF CHINA, LATIN AMERICA AND AFRICA, THE "VOICE" REPRESENTS THE MEANS THE UNITED STATES USES TO BROADCAST DIRECTLY TO THE PEOPLE OF THE WORLD. IN 1983, NEARLY A QUARTER OF A MILLION FOREIGN LISTENERS WROTE UNSOLICITED LETTERS TO THE VOICE OF AMERICA. A LISTENER IN THE SOVIET UNION WROTE:
(FONT: Soviet quote)	"If I didn't listen to the Voice of America, I wouldn't know the truth about the events between the U.S. and the U.S.S.R."
(FONT: Ambassador quote)	AS ONE AMERICAN AMBASSADOR RECENTLY ASSERTED, "It seems everyone listens to
(China map)	V.O.A." IN FACT, IN CHINA, WHERE V.O.A.'S AUDIENCE IS IN THE TENS OF MILLIONS, IT IS REPORTED THAT THE FOREIGN MINISTRY STOPS OPERATING AT 5 P.M. TO LISTEN TO WORLD EVENTS OVER V.O.A.

(Reagan sot/B roll)	"One of the Voice of America's listeners in the Middle East wrote: if you do not strengthen your broadcasting frequencies, no one can get anything from your program. Our radio equipment is just plain old, some of it World War Two vintage. I don't mind people getting older, it's not so good for machines. More than 35 percent of the Voice of America's transmitters are over 30 years old."
(old equipment)	OLD EQUIPMENT PRODUCES WEAK SIGNALS. LET'S LISTEN TO THE VOICE OF AMERICA RECORDED LAST NOVEMBER IN ISLAMABAD, PAKISTAN:
(shortwave radio)	...VOA recording...
(map of Pakistan)	NOW LET'S LISTEN TO RADIO MOSCOW MONITORED THERE IN THE SAME LANGUAGE JUST A FEW MINUTES LATER:
	...Radio Moscow recording...
(Saudi Arabia, India, Africa) maps revolving)	WHY MUST LISTENERS STRAIN TO HEAR AMERICA'S VOICE IN SOME PARTS OF THE WORLD? THE PROBLEM--ANTIQUATED EQUIPMENT.
(vacuum tube)	VACUUM TUBES, SOME MORE THAN 40 YEARS OLD, ARE STILL IN SERVICE IN OUR MUNICH TRANSMISSION FACILITY.
(ceiling switches)	A V.O.A. TECHNICIAN STILL HAS TO CLOSE SWITCHES BY HAND USING A BROOMSTICK AT OUR TANGIER FACILITY. AMERICA HAS FALLEN BEHIND ITS ALLIES IN

	COMMUNICATING TO THE WORLD: A STATE-OF-THE-ART INTERNATIONAL BROADCASTING
(Deutche Welle facility)	FACILITY IN BAVARIA ALLOWS THE GERMANS TO CONTROL THEIR EQUIPMENT BY COMPUTER. THE TOTALLY AUTOMATED DEUTCHE WELLE FACILITY BROADCASTS IN 30 DIFFERENT LANGUAGES.
(transmitter graphic)	THE NUMBER OF SUPER POWER TRANSMITTERS IS ANOTHER BENCHMARK WHERE AMERICAN FACILITIES FALL SHORT. SUPER POWER TRANSMITTERS ARE ONES WHOSE TRANSMISSION STRENGTH IS AT LEAST 500 KILOWATTS. COMPARED TO SOME OTHER NATIONS: THE U.S. HAS SIX, THE UNITED KINGDOM HAS EIGHT, WEST GERMANY HAS TEN, FRANCE 11, AND THE SOVIET UNION... 37.
(headline montage/font)	IN RECENT MONTHS, SCORES OF AMERICAN PUBLICATIONS HAVE CALLED FOR THE VOICE OF AMERICA TO BE MODERINZED. AS THE LOS ANGELES TIMES EDITORIAL DECLARES: "Congress will be remiss if it does not act now to begin making up for the serious short comings in the Voice's quality that past inaction has brought about." FROM THE WALL STREET JOURNAL : "If there is one thing about which there is a consensus among those attentive to policy, it is that our radios do much

for us in the world, and can do more."

(Moroccan accord signing)

MUCH PROGRESS IS BEING MADE. JUST RECENTLY THE PRESIDENT PRESIDED OVER THE SIGNING OF AN AGREEMENT WITH THE KINGDOM OF MOROCCO TO BUILD A NEW MAJOR INSTALLATION THERE:

(Reagan sot) "Were it not for many years of neglect, the Voice of America could be heard more clearly by many more people around the globe and that's why our Administration has made the same kind of commitment to moderizing the Voice of America that President Eisenhower and President Kennedy brought to the space program. It's our firm commitment to Voice of America moderization which brings us here today. Millions of people who long to hear the truth will benefit from this agreement."

OVERVIEW OF WORLDNET

Mr. WICK. I would like to ask Al Snyder to make a few comments about the enhancements for television.

Mr. SNYDER. I will give you a brief overview of WORLDNET as it stands now, where we are going. If I can direct your attention to the back of the room. This map represents USIA's plan to establish a live worldwide satellite, television network known as WORLDNET.

Last November, our satellite television service, EURONET, went on the air to five of our European Embassies: Bonn, Brussels, The Hague, London, and Rome. We added Geneva, Paris, Stockholm, and Madrid to the network. We plan to include Copenhagen, Helsinki, Oslo, Ottawa, and Vienna to the EURONET leg of the system in May 1984. This system has resulted in an unprecedented media coverage, as you saw in the tape.

In January, we expanded the WORLDNET system to Latin America. The American Republics Network, ARNET, now links Washington to our posts in Brasilia with Rio and Sao Paulo in rotation, Buenos Aires, Caracas, Mexico City, and San Jose. We plan to expand our ARNET service in June 1984 to Bogota, Santiago, and possibly Santo Domingo and Kingston in the Caribbean.

In April we will inaugurate AFNET to Africa, which will include Dakar, Kinshasa, Lagos, Lusaka, and Nairobi.

Later this year we will add MEDNET to the Middle East and South Asia, which will include Amman, Cairo, Tel Aviv, Islamabad, Karachi, Kuwait, New Delhi, Rabat, and Tunis.

Finally, PACNET will complete our global television reach, with service to East Asia and Pacific regions. The major regional capitals to be served are: Canberra, with Melbourne and Sydney in rotation, Hong Kong, Manila, Seoul, Singapore, Tokyo, and possibly Beijing.

With current resources, WORLDNET will broadcast twice a week for the balance of fiscal 1984. This will include one feed weekly to EURONET, and one feed weekly to each of the other four networks in rotation. This will give each network—apart from EURONET—a monthly feed. These feeds will run from 1 to 2 hours each.

During fiscal year 1985, the service would reach its full scope as a daily transmission providing 3 hours of service a week to each regional network.

VIDEO DIPLOMACY

If I can direct your attention to the charts on the other side of the room. With the introduction of WORLDNET, the U.S. Government has entered the age of video diplomacy.

The key to WORLDNET's success so far is that the service is interactive. WORLDNET offers journalists and opinion leaders in foreign countries the chance to question senior U.S. Government officials directly, about American economic, trade, and foreign policy. These officials are interviewed live and on the record for over an hour. The sessions are unrehearsed, and questions are not screened or censored.

Combined with the other TV program services envisioned for fiscal year 1985, WORLDNET will maintain U.S. leadership in international television broadcasting with a service rooted firmly in America's strengths as a technologically advanced, open society.

So far, WORLDNET has delivered only a portion of its potential program mix. As you have seen, WORLDNET to date has been providing foreign journalists the access to live newsmaker interviews.

As WORLDNET develops, it will offer a balanced, quality program service, of infinite variety.

WORLDNET will deliver critical off-air public affairs programing and policy statements via VIDEOFILE to our embassies abroad. Foreign Service officers overseas need immediate access to news of significant developments and policy statements. Local media coverage, especially in the developing world, tends to be slow, incomplete, and often biased. Posts need to know on a day-to-day basis what is being broadcast and written in the United States.

Effective presentation of the American viewpoint in an electronic age is essential.

DETAILS OF WORLDNET PROGRAMING

Let me explain our planned WORLDNET programing in greater detail.

Newsmaker interviews with senior policymakers and others in the news have represented the bulk of WORLDNET programing to date. Recent participants have included the Secretaries of State, Defense, Commerce, Treasury, and Agriculture, as well as the National Security Advisor, and the U.S. Trade Representative. Vice President Bush will be interviewed live by European journalists on April 5. Majority Leader Howard Baker and Speaker Thomas P. O'Neill have also been asked to appear as WORLDNET guests.

These interactive programs have generated unprecedented media access for U.S. Government foreign policy positions.

Seminars on important topical issues such as INF, or the Soviet leadership succession, can be beamed to embassies for interactive discussions. In the past, the logistics of quickly organizing multicountry tours for groups of American experts to discuss important issues with their foreign counterparts overseas have made this kind of programing virtually impossible. WORLDNET offers the most effective way to conduct this important kind of topical program.

VIDEO FILE

Video File will consist of a daily selection of public affairs programs from U.S. commercial and public TV, as well as selected congressional debates and hearings via C-Span. These off-line public affairs programs will be edited for transmission on WORLDNET by our production staff. The international news content of the material, including requests from USIS posts, will dictate our usage. These programs, such as Nightline, Meet the Press, and The MacNeil-Lehrer Report, are much sought after by our posts, especially in developing areas, where delivery can be slow and erratic, and local access to this material limited or nonexistent.

Senator LAXALT. Do you have to pay the networks to rebroadcast?

Mr. SNYDER. We get them free of charge.

In the special events area, this provides same day coverage of special messages and press conferences by the President, Secretary of State, and other officials as required, as well as responses to fast breaking news events requiring immediate official response such as the KAL shootdown, Grenada, and events in Central America.

In addition, we will use the service as a rapid response device for critical bilateral issues, by getting on-the-record statements from U.S. Government representatives on fast-breaking events. This is especially important as a tool for countering Soviet disinformation activities around the world.

Finally, USIA's mission is to explain U.S. foreign policy and interpret American society. In both objectives, our basic tool is the truth. WORLDNET is simply an attempt to harness the latest communications technology to our understanding of the truth of international affairs. In the years ahead, as the technology advances and we perfect our use of it, this revolution will have a profound effect on the way nations, and people, conduct their affairs overseas.

Senator LAXALT. Thank you very much for an excellent presentation.

QUESTIONS ON WORLDNET

Senator BUMPERS. Do all of these broadcasts originate here in Washington?

Mr. SNYDER. No, sir, they can originate anywhere. When Henry Kissinger was on, he was in Brussels where he was attending a European Community meeting and we picked him up via satellite, fed him to five embassies in Europe and Latin America.

Mr. WICK. That was the day after the release of the report on Central America.

Mr. SNYDER. The only way to get him on was satellite.

Senator BUMPERS. Are all the facilities owned by us?

Mr. SNYDER. No, sir. In some cases they are owned. In other cases they are leased by the local telephone and telegraph. What we are proposing to do in the budget is to set up a full-time service where satellite dishes will be placed on the embassy roofs and we will have access to satellite directly rather than going to the government PTT where the charges are higher. Full-time service permits you to get better rates.

Senator BUMPERS. My question is, at my home I am limited on the channels I can receive, they are all pretty selected, you have the networks and CNN and all that sort of thing. How is the ordinary European receiving this telecast?

Mr. SNYDER. We could not have a direct delivery system such as Voice of America where we have access to individual radio sets. We go to television stations. The television correspondent in the embassy will interview Secretary Shultz and will use that portion on his news that evening. In Sweden you saw the newscaster sitting at his desk with the monitor interviewing Secretary Shultz.

Senator LAXALT. The point that Senator Bumpers is making, is if he were in Europe, to see one of the telecasts, would it be determined by the news director of the particular television station? Is this where you take the material?

Senator BUMPERS. That is my point.

Mr. WICK. This is a good question. Actually, the job of USIA is to tell the world about America. As a Government information agency, we have an even lower priority than the many news organizations around the world seeking access to television and the print media. What we have done here is, our embassies invite various correspondents and television correspondents and print media correspondents to come to the Embassy and interview our guests, the policymakers. Then, after they have asked questions, and heard all of the nuances of our policy, they put it on their local television news. We have had as much as 11 minutes, which is unprecedented, for example, on nightly news in London, and we have gotten more coverage of our positions unfiltered in some media in the last 25 weeks than we probably had in the last 30 years.

This is an effort to get directly to the newsmakers, the news controllers in these different countries, to get them to our embassies and they in turn disperse the information through their various media.

Senator LAXALT. Before you move on to the next point, anticipating, perhaps, what Senator Bumpers will ask next, why can't we deliver this material in the same fashion as we do radio? Why can't a viewer in Paris, or London flip on his set to a given channel and pipe in directly to our 15 hours? Isn't that your present schedule, 15 hours a week?

Mr. SNYDER. That is what we propose.

Senator LAXALT. What is to preclude them from doing that?

WORLDNET COMPARED TO RADIO

Mr. WICK. The reason is simple. With the Voice of America, all broadcasts originate here but we have relay stations around the world that broadcast shortwave. A person who has a shortwave radio set cannot hear our broadcast unless there is a shortwave station to broadcast it. It is the same with television, unless there is a local station that broadcasts it, those who have receivers can't hear it. For example, most of our networks today——

Senator LAXALT. The satellite situation has not improved that; you still need that?

Mr. WICK. You cannot get direct broadcasting on a television set from a satellite today unless you have your own dish and very few people have that. So, in other words, you have to have a rebroadcasting entity, either radio or television.

Senator BUMPERS. You mentioned the dish on top of your Agency when you invite foreign correspondents to interview, and it is subject to their wish whether they want to show it in their own station during the evening news. How about this week with David Brinkley, what do you do? You make that accessible to him if he wants to use it?

Mr. WICK. One of the objectives of our public affairs officers in the embassies is to be able to get key leaders into the embassy to tell them more about America and to be able to satisfy their interest in general events. We use these particular shows, like David Brinkley, and we use any number of video tapes of current interest to attract people to our embassy and keep them informed on what is going on in the myri-ad of cultural issues.

Senator BUMPERS. You are not trying to get the people in Dakar, for example, to see that? You are trying to bring the newsmakers in to see that show?

Mr. WICK. That is right. In many instances we invite a number of people to see different programs in the embassy. We have feature films, for instance, the Charlie Chaplin catalog. We are trying to promote as much good will as possible and a greater understanding of America.

LIVE BROADCASTING

Senator LAXALT. Are you sending any of this live?

Mr. SNYDER. Many of the programs are carried live.

Senator LAXALT. These talk shows, they are all taped?

Mr. SNYDER. They are done on a delayed basis.

Mr. WICK. People are very interested.

Senator BUMPERS. Could you use this to beam the Super Bowl to our troops abroad?

Mr. WICK. We could.

Senator BUMPERS. Why don't you do it? We could help morale if you use the WORLDNET for the Super Bowl, the NFC and AFC championships. I think we have access to some sporting events through Armed Forces Radio on television.

Mr. WICK. I think they do have television.

Senator BUMPERS. Would you check that out?

Mr. WICK. Sure would.

Senator BUMPERS. Mr. Chairman, I have to leave. I want to reserve the right to submit some questions in writing.

Senator LAXALT. I thank you for coming.

Senator BUMPERS. Thank you.

Senator LAXALT. I will ask you a few questions, Mr. Wick, and then we have several others that we will submit in writing in the interest of time here.

NATIONAL ENDOWMENT FOR DEMOCRACY

The National Endowment for Democracy program is just getting off the ground. The regular program is growing from $18 million in fiscal year 1984 to $31.3 million next year. Given that the program is so new and that it is receiving such a large increase next year in its regular program, why are you asking for $3 million more targeted for Central America? Is there no flexibility in the existing program to meet the objectives of the Kissinger Commission?

Mr. WICK. Mr. Chairman, John Richardson, recently appointed Executive Director of NED is here. I am sure he is able to respond to that.

Mr. RICHARDSON. The basic budget for this year for the National Endowment for Democracy and the $31 million which is being requested for next year, is to be passed through primarily to four organizations: The Free Trade Union Institute of the AFL/CIO, the National Chamber Foundation of the Chamber of Commerce, and institutes of the two political parties, which are being established; plus other private organizations. The Endowment itself will not be an operating agency. There is already a worldwide interest in this new capability that the United States is deploying and we are overwhelmed with requests.

We will be working with these institutes and other private organizations on worldwide programs that will stretch our ability to plan and utilize the money for next year. The additional $3 million for Central America which the administration is proposing, ought not to be taken out of the basic budget for NED, which can easily be used for important programs in many other countries. The Central American initiative is a special need for a special area.

Senator LAXALT. I thank you.

Mr. WICK. Mr. Chairman, we would like to also have a brief presentation on two of the big components of our budget, Voice of America, and also the educational and cultural exchange programs.

Senator LAXALT. Are you prepared to do that today?

Mr. WICK. We are prepared to do it right now.

BIPARTISAN REDUCTION PACKAGE

Senator LAXALT. Let me ask you a couple of questions before we get into that.

I suppose I should admonish you and the people in State if the so-called bipartisan deficit reduction package comes down in the form it has been agreed upon, at least by the Republicans and the President, the thrust of it is a freeze on appropriated accounts. I don't know whether they can do that; there are a lot of hurdles along the way.

I would suggest, particularly for the budget chief here, that something along those lines might eventually emerge from the Congress and in view of substantial increase requests you had in this Agency you had better think in terms of a back up plan on prioritization at least.

Second, we are asking all the agencies everything they are doing in connection with the various Grace Commission reports, whether the recommendations have been included and incorporated within this request. Some of the recommendations raised questions to the effect that we shouldn't proceed with some of your programing until you have had more time to evaluate the effectiveness of current activities.

I don't want to pursue that in any great detail today but I would throw those up as two areas that we should continue to look at as we go through the budget process.

Mr. Wick. We think we have been fully responsive to the Grace Commission. We regard ourselves, as others do, as part of the national security apparatus. The only viable alternatives to the weapons of hardware are the weapons of ideas. But we will do whatever we have to.

Senator Laxalt. Proceed.

VOICE OF AMERICA OVERVIEW

Mr. Tomlinson. Mr. Chairman, when you consider the age of our equipment, when you consider the quality of the signal we send around the world, it is amazing to think that VOA is the world's No. 1 broadcaster. More than 110 million people every week tune in to VOA, which broadcasts in 42 languages and close to 1,000 hours per week.

If you look at this chart you will see there has been an explosion in the last 2 decades in terms of superpower shortwave transmitter construction around the world. Everyone is doing it, countries large and small. You saw it on the film. The Soviets have 37. We have had virtually no construction at VOA. We are fifth in terms of hours broadcasting to Africa, we are sixth in terms of hours broadcasting to Eastern Europe. Being for modernization is as good as gold. Everyone is for VOA modernization. We had two Presidential candidates in recent times say to increase the strength of our broadcast signal. Then why is it that when we look at a map of the world there is only this green part where we see anything like a quality signal? In the rest of the world you can get VOA but you have to strain.

The reason we have trouble in delivering our signal is that it is not as simple as walking down to the Radio Shack and buying a piece of equipment and taking it out and hooking it up to the antenna. When you talk about international broadcasting facilities you are talking about the equivalent of building a space center in Houston in terms of technology involved, in terms of difficulty, in terms of the time required. President Reagan has said that this administration is going to devote to VOA modernization the same priority that President Kennedy placed on the space program of the 1960's. We have other classified charts that show the world in green—showing how after our modernization efforts our signal will be able to be heard around the world.

In recent months, for the first time since 1963, we have signed significant government-to-government agreements for major VOA construction, and we have many more in the works. We can do this but we have to have our start now.

Thank you.

Mr. Wick. Dr. Trowbridge on the Fulbright program.

EXCHANGE PROGRAMS

Mr. Trowbridge. I shall be mercifully brief. We felt bad down at my shop because our chart has no lights. I hope you will not hold that against us. We thought the only way we will not be outdone by Al Snyder's group is to make a bigger chart.

Since the purpose, as stated by Senator Fulbright, in the exchange program is to promote mutual understanding and the corrolary of that is to promote mutual interest, it is our contention you have to see the exchange program in comparison to something rather than simply make it an abstract figure in a vacuum.

It is our view you should see this in terms of what the Soviet Union is doing in the comparable area and that is the reason for this first chart.

If you look at the figure for 1978, the U.S. Government in total sponsored 8,800 exchanges, the Soviet Union and its allies, Eastern Bloc and Cuba, sponsored 48,700. As you can see, their program doubled in the span of 4 years while our program has remained relatively even. I think the thing here that is so alarming is not the total figure, but rather that very sizable increase in the short span of a 4-year period.

Senator LAXALT. Are these exchange programs between various countries within the bloc?

Mr. TROWBRIDGE. These are students from all over the world going to Cuba, Eastern Bloc countries, or the Soviet Union. I can give you a breakdown. Most of these students are coming from Latin America, the sub-Saharan Africa, and the Middle East.

Senator LAXALT. These exchange programs are not from the Soviet bloc to the West at all?

Mr. TROWBRIDGE. No. Much of it involves students going to Cuba. I will talk specifically, when I get to the next chart, about what is going on in Central America.

We are asking for a total $144 million for 1985, which is an increase of $39 million. Of that $39 million, $19 million is being earmarked for the implementation of the Kissinger Report. The rest of that $39 million increase is broken down this way: $6 million approximately for the traditional Fulbright program, $7.5 million for the International Visitor Exchange Program. And I might add here, that is the program under which 44 sitting heads of state have come and several hundred cabinet-level officials.

To continue the breakdown of that $39 million, approximately a half million is for the Hubert Humphrey Fellowship Program, and $19 million is earmarked for the implementation of the Bipartisan Commission recommendations on Central America. That leads me to my last chart where I think the figures are more startling with respect to what the Soviet Union is doing.

In 1977 the U.S. Government in toto in the area of exchange—not military exchange but in the area of academic exchange or training exchange—sponsored 568 exchanges in the seven Central American countries and in that time the Soviet Bloc or Cuba sponsored 1,125 students from that area. You will note in 1982, 5 years later, we remained roughly even in terms of exchanges we have sponsored, but there has been this incredible increase of students sponsored by the Soviet Bloc in Central America.

Senator Laxalt. This is all government?

Mr. Trowbridge. This is entirely what the government is sponsoring.

So you see here this incredible disparity and I think the conclusion, and obviously you can draw your own conclusion, is that in Central America, the Soviet Union and its allies have clearly made the exchange program the heart and soul of their effort to win over those people.

With regard to the Kissinger report, I would like to support what John Richardson has said regarding why the $3 million is earmarked for Central America. The members of that Commission were aware of this incredible disparity.

Finally, on the breakdown of the $39 million, $1.2 earmarked for the Congress-Bundestag Exchange and $5 million earmarked for mandatory cost increases.

Thank you very much.

Senator Laxalt. Thank you.

Do we have any more presentations, Mr. Wick?

Mr. Wick. No, sir.

RADIO MARTI

Senator Laxalt. A question about Radio Marti. First of all, how is that program going and when are we going to start broadcasting?

Mr. Wick. Within the next 6 months or possibly earlier. We are making excellent progress. There is an enormous amount of research. We are interviewing various candidates in various cities around the country. The biggest problem is the clearance process. We have ultimately about 175 positions, and we have in the pipeline about 42 or so people that are in the process of being cleared, but I think we have only four that have been cleared. We have space rented near VOA and have made security arrangements. We are proceeding expeditiously. We hope to be on the air within 6 months at the latest.

Senator Laxalt. What was set as the initial program time period?

Mr. Wick. I don't think there was one.

Senator Laxalt. You are staying loose?

Mr. Wick. We plan to be on the air as quickly as possible.

AUTHORIZATION LIMITATIONS

Senator Laxalt. Again on the budget side, I guess you are fully aware that the request you made to us is in excess of your authorization,.

Mr. Silverman. The authorization is in various bits and pieces. By our account, the original budget is well within the authorization and we have citation to give to the staff. We would need additional authorization for some of the Central American amendments and that legislation is already before the Congress.

Senator Laxalt. So you will proceed on those various items to attempt to secure some additional authority from us?

Mr. Silverman. We need $20 million more in authorization to cover part of the Central America initiative, otherwise everything else is covered.

SUBMITTED QUESTIONS

Senator LAXALT. We have several other questions that we will submit to you in writing, Mr. Wick, and we would expect that your people will respond within a reasonable period so that we can make some evaluation. We will be getting into the evaluation period and markup as quickly as we can get all these agency questions. We appreciate you all coming in. It has been a very excellent demonstration.

Mr. WICK. Thank you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

IMPACT OF BUDGETARY FREEZE

QUESTION:

Mr. Wick, recently the President and some of my Republican colleagues agreed to push for a budgetary freeze as part of the deficit reduction package. All the details of that freeze have yet to be worked out. However, generally speaking, if a freeze were enacted, what programs would you eliminate and how would it affect the effectiveness of your Agency?

ANSWER:

I fully appreciate the effort now underway to reduce the size of the deficit and the possibility that USIA's full budget request may not be approved. I will of course accommodate USIA's activities and operations to the resources provided by the Congress.

In effecting any reductions I would hope that the Congress would be selective among the many agencies and programs and give due consideration to USIA's unique role in national security affairs. U.N. Ambassador Jeanne Kirkpatrick has noted that ". . . the establishment and preservation of peace in our times is ineffably associated with the projection of truth in our times. That's what makes the mission of USIA so incredibly important in my view." A weak overseas information program, because it cuts back on our arsenal of influence, is as dangerous as a weak defense posture.

The Soviets have entered into the war of ideas willing to spend what is needed to win. The best estimates available indicate that the USSR spent about $2.125 billion in 1982 for activities comparable to those of USIA.

That sum dwarfs the President's amended FY 1985 budget request for USIA which totals $885.4 million. Requirements for our regular core operating programs comprise $692.8 million of that total and represent an increase of $86.8 million over comparable 1984 levels. The balance of our estimates is made up of several very special requirements: full year funding for the newly created National Endowment for Democracy; the extraordinary requirements of the Central American initiative; and the Radio Marti Program of the Voice of America. In addition, the long-recognized capital needs for VOA modernization comprise a major part of our increased needs in FY 1985. With the inclusion of these important, but unique requirements, our budget increase totals $213.2 million.

Given the disparate nature of our budget increases, especially the newer items noted above that have been added to our budget over the last year and the special capital needs of the VOA, it is extremely difficult to specify the items to be reduced.

However, we have prepared a list of USIA's requested 1985 program enhancements in current priority order. These priorities are subject to revision. The Agency has a responsibility to reevaluate and adjust the relative importance of its programs in light of the constantly-changing world situation, technological developments and the likely impact of USIA's efforts in a given area or situation. Preceding the enhancement list is a statement of the base upon which FY 1985 enhancements are to be added.

Base	Funds
FY 1984 Appropriations:	
Salaries & Expenses	$471,853
Salaries & Expenses (SFC)	10,450
Educational and Cultural Exchanges	100,000
Radio Construction	31,000
Radio Broadcasting to Cuba	10,000
East-West Center	18,362
National Endowment for Democracy	18,000
Total, FY 1984 Appropriations	659,665

	Funds
FY 1984 Pay Supplementals	$ 5,517
FY 1985 Cost increases and other mandatory changes	34,171
Base For FY 1985	699,353
FY 1984 Central America Initiative supplemental	7,000
Revised Base FY 1985	706,353
FY 1985 Program Enhancements*:	
1. Modernization of VOA facilities: Antenna upgrade (Part I); prelim. costs Tangier, South Asia/Sri Lanka, Puerto Rico facilities	26,000
2. Worldnet: Partial implementation (6 hours per week 1st quarter, 9 hrs. per week last three quarters 1985)	11,185
3. Television equipment enhancements essential for operation of Worldnet	3,232
4. Expansion of VOA broadcasts (Arabic, Albanian, Russian, Czech-Slovak, French & Port. to Africa, Thai, Spanish)	2,782
5. Modernization of VOA facilities: Antenna upgrade (Part II); augmentation of four existing stations; prelim. costs new Far East, New Middle East sites	20,000
6. Wireless file transmission improvements; enhanced Agency research capability and support for overseas missions	1,937
7. Modernization of VOA facilities: Antenna upgrade (Part III); replacement of transmitters at existing sites	26,000
8. Expansion of Academic and International Visitor Exchange programs - Phase I	9,246
9. English teaching abroad and binational center support	1,255
10. Enhanced security overseas	584
11. Worldnet: Full implementation (6 hrs. per week 1st quarter, 9 hrs. per week 2nd quarter, 15 hrs. per week 3rd and 4th quarters)	5,917
12. Central American Academic and International Visitor Initiative (I)	17,700
13. Modernization of VOA Facilities: Antenna upgrade (Part IV); preliminary engineering costs for new transmitting facility in the Persian Gulf; and direct broadcast satellite analysis	10,680
14. Expansion of Academic, and International Visitor exchange programs, phase II	6,118
15. Central American Academic and International Visitor Initiative (II)	11,700

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* Enhancements listed exclude the proposed $13,300,000 increase in the grant to the National Endowment for Democracy. The funding level was mandated in P.L. 98-164 for this independent non-profit corporation and USIA essentially serves only to process and monitor the grant.

16. VOA: training for foreign national employees and engineering staff....................................	2,878
17. President's youth exchange program......................	2,000
18. Other television improvements: Bureau of Int'l Marketing, two regional TV news bureaus, a monthly half-hour TV magazine, and essential equipment purchases............	6,557
Total, Enhancements for FY 1985..........................	165,771

GRACE REPORT

QUESTION:

According to the Grace Commission, USIA has not developed techniques to evaluate its existing programs. The Commission's report recommends that such a capability be created. I see from your justification that you do plan to add 5 positions to do this. However, the report also recommends that your planned activity expansion be deferred until the effectiveness of current activities is measured. According to the report, "then such actions will result in an expansion of the program that can be better justified."

-- Given the fact that you are adding 5 positions for research and program evaluations, do you agree with the report's conclusion that "The basis for expanded activities has not been established within the Agency"?

-- What are your reasons for not following the recommendations of the Grace Commission to deter program expansion until the objective evaluations of your programs are completed?

ANSWER:

The Grace Commission report on the foreign affairs community issued in September 1983 contained one recommendation for USIA:

> Establish an analytical resource capability within USIA; also defer planned USIA expansions until an evaluation of existing staff and facilities can be completed. (No savings target was attached to this recommendation.)

USIA has taken steps to implement this recommendation. The Agency's current analytical resource capability can and has been harnessed in a program and resource review system without increasing staff. A Resource Management Committee chaired by the Associate Director for Management with top level Agency representation will ensure that all major proposals receive a thorough analytical review before decisions are made. This committee is supported by a secretariat drawn from existing budget and analysis staffs in the Management Bureau. The analytical capabilities of other Agency elements (e.g., the Inspector General, Office of Inspections, the Office of Research) will be used on a regular and coordinated basis.

The need to expand Agency programs, particularly VOA, has been recognized by the President and the Congress. Major evaluations have been conducted by the NSC, by the Agency, and under contract. The Congress has approved the Agency's expansion studies and plans at realistic levels in USIA's FY-84 Budget. Some implementation has been deferred to the out-years, partly as a result of these evaluations. In sum, however, there is sufficient demonstration of need, particularly given the efforts of our adversaries, for USIA to seek the most urgently needed increases. Thus, we seek increases for VOA, TV and Exchanges. Other unique circumstances have brought increases for NED and Central America into our budget, too.

The five positions requested for research enhancement in 1985 are not directly related to the type of research mentioned in the Grace Report. However, the augmentation of our program research capability will be of great assistance to the Resource Management Committee in its deliberations.

The requested FY 1985 enhancements continue the initial upgrading of the Agency's research capabilities begun this fiscal year. The requested $728,000 will permit: (a) the establishment of a media research branch, to undertake evaluation of the effects of Agency programs abroad and to more extensively study foreign communication environments in which we operate; (b) the establishment of regular foreign opinion surveys on major foreign policy issues; (c) broader dissemination of research findings beyond the normal distribution of printed reports; and (d) the modernizing of the data archive and retrieval capabilities of the Research Office. Thus, the enhanced research function will provide more program information and analysis for the Agency's Resource Management Committee's use.

USIA OVERSEAS SECURITY PROGRAM

QUESTION:

In the past, the State Department has funded and operated overseas security enhancement projects. Now for the first time, the Sucommittee has a reprogramming before it, requesting resources for USIA to set up its own security project fund. What is the reason for this? Are you dissatisfied with service you have received from the State Department? Since State Department Regional Security Officers will manage the projects once they are in place, shouldn't the Department also fund their construction?

ANSWER:

These funds are requested to continue the security upgrading and address other security needs at the Agency's facilities and residences that are located separately from Department of State buildings.

In 1982, Congress passed the Overseas Security Supplemental appropriating $48.9 million to the Department of State to enhance security for both State and USIA facilities. Under this supplemental, USIA was allocated $1.2 million to meet various security requirements, including internal and external physical security controls at our facilities, residential security measures for our Public Affairs Officers, vehicle armoring, and emergency communications equipment. These funds will be depleted soon, and there is no other existing source of funds available to continue to upgrade security at our facilities and residences that are located separately from Department of State buildings.

For this reason, the Administration has approved for the first time the establishment of a separate USIA funding base to meet our overseas security needs. In fiscal year 1984, we plan to establish this base by reprogramming $384,000 in our Salaries and Expenses account to cover necessary security improvements for the remainder of the year. The 1985 request contains $968,000 to continue and expand these security improvements, including contract guard services where needed. USIA, in consultation with the Department's Regional Security Officers, directly planned and coordinated the expenditure of the $1.2 million provided earlier and proposes to continue this arrangement with funds directly appropriated to USIA.

USIA currently benefits from joint USIA/State Department Security Enhancement Program (SEP) projects at certain posts overseas where we are colocated. However, this program is not intended to meet all of USIA's overseas security needs worldwide. USIA facilities require low-scale, low-profile physical security projects which do not excessively interfere with our need to foster an open and free exchange of information with host country citizens.

USIA has 130 cultural centers, libraries, publications centers, and other offices worldwide that are not located with Department of State offices. Approximately 30 of these separate Agency facilities have been identified as requiring immediate upgrading to adequately protect USIA personnel and property. We do not plan any security projects for USIA offices which are located in State Department chanceries, embassies, and consulates since the Department has ultimate responsibility for those facilities.

The USIA facilities are generally public in nature and demand a protective security approach considerably different from what is possible and necessary at State sites. The Agency's facilities can significantly benefit from small scale security projects tailored to the function of each installation, and the Department cannot be expected to appropriately incorporate such diversity into its major-project planning.

AUTHORIZATION OF APPROPRIATIONS

QUESTION:

The authorization for USIA in Public Law 98-164 is limited to $806,239,000. You have requested nearly $85 million more than that ceiling. Do you plan to request additional authorization authority? If not, what authority can we use to give you monies that exceed the ceiling set in P.L. 98-164?

ANSWER:

Section 202 of P.L. 98-164 authorizes $806,239,000 in appropriations for USIA in 1985. That sum is only a part of enacted authorizations that total $888,185,000 in several statutes. The authorities are:

-- Section 202, P.L. 98-164 (basic)	$806,239,000
-- Section 211, P.L. 98-164 (Congress-Bundestag)	2,500,000
-- Sections 5(h), 7(d), 8(a), P.L. 98-111 (Marti Program)	16,130,000
-- Section 8(b), P.L. 98-111 (VOA modernization)	54,800,000
-- Section 704(b), P.L. 80-402 (Pay Act costs)	8,516,000
	888,185,000

These authorities relate to the original 1985 appropriation request of $849,024,000. Additional authorization of $36,400,000 has been requested to cover the amendment for the Central American Initiative. Actually, some $17,219,000 of that amendment can be accommodated within existing authorizations.

MARTI PROGRAM START-UP

QUESTION:

When will Radio Marti begin broadcasting? How many hours initially?

ANSWER:

A precise date cannot be set up because of uncertainty as to how long it will take for security clearances on those who have been selected for these essential positions. It is safe to say that we will begin broadcasting within the next 6 months but we hope to begin sooner than that. We will start with at least four hours daily.

QUESTION:

Why have you requested no funds to compensate domestic broadcasters that may suffer from Cuban counterbroadcasts?

ANSWER:

During the development of the FY 1985 budget OMB took the position that there would be no appropriation request for compensation for domestic broadcasters affected by Cuban jamming until demonstrated proof that damage has occurred. If this happens in FY 84 or FY 85 a supplemental appropriations request will be made.

VOA EUROPE

QUESTION:

With all the work that needs to be done to enhance VOA coverage and programming into Eastern Europe and the Third World, why are you embarking on new service to Europe? Why do you believe this coverage is needed?

ANSWER:

There is almost a universal belief in Western Europe in western values. At the same time there is an alarming tendency in Western Europe to put the U.S. and the U.S.S.R. on the same moral plane. The European countries, no less than the U.S. should welcome a diverse examination of ideas and information. Vermont Royster once spoke of "a marketplace of ideas." Europe can certainly accept this in the 1980's, because that is what binds the alliance together. The successor generation of people in their 20s and 30s does not recall the crucial American role in World War II and post war reconstruction. There is a definite need for increased informaton about American thought and institutions.

ASSURANCE OF DIRECTION OF MODERNIZATION PLANS

QUESTION:

Your budget requests $113.6 million for the Voice of America's multi-year, $1 billion modernization program. This request is being made prior to completion of the system-wide engineering analyses, which this Committee funded last year. What assurances can you provide that this program is the proper course to follow?

ANSWER:

VOA has already completed the overall long-range planning and analysis to establish the broad functional requirements of the VOA global communications network and to determine deficiencies in signal coverage and the selection of appropriate sites for establishing new or expanded facilities. This analysis has been summarized and documented in a set of coverage maps which clearly show areas where the VOA signal is deficient. This analysis has provided the necessary guidance for undertaking site negotiations and for continuing with the more detailed stages of analysis necessary for the modernization of existing stations and the implementation of new facilities. The modernization effort is now contunuing with a series of worldwide analyses of every verification and detailed designs for the upgrade of existing facilities and the implementation of new facilities. These worldwide analyses will guide the more-detailed implementation phases of modernization within the context of the comprehensive long range plan which has already been established. Since the overall plan has been carefully established, it is possible to begin immediately a number of initial tasks associated with implementation of a given site and still maintain complete integrity with the long-range plan. These tasks, which can be started right after negotiations are completed, include efforts such as leveling the land and putting in roads.

CO - LOCATION OF SITES

QUESTION:

Have you explored the feasibility of sharing technical and radio facilities with other government agencies involved in international Broadcasting, as recommended by the General Accounting Office?

ANSWER:

The only other government agency involved in international broadcasting is the Board for International Broadcasting (BIB). We are working together with the BIB.

QUESTION:

What is the possibility of joint VOA/RFE/RL facilities, particularly in the new sites you have just acquired?

ANSWER:

We have made every effort to co-locate facilities with RFE/RF, where this is feasible and makes sense. In the cases of Sri Lanka and Morocco, RFE/RL did not express interest in co-location throughout the lengthy course of negotiations.

In the case of Sri Lanka, the location of our facility would have been of secondary importance to them. With regard to Morocco, RFE/RL already broadcast from Spain and Portugal, which provide similar coverage to what could be obtained from Morocco.

VOA OLYMPIC COVERAGE

QUESTION:

When the Board for International Broadcasting testified before this committee in early March, we learned they had been banned from covering the Winter Olympics. Was VOA represented at the Winter Olympic games? If not, was this by choice?

ANSWER:

VOA was represented by a team of 18 reporters, producers and engineers at the Sarajevo Winter Olympics. The team filed material in 10 languages, and was fully accredited throughout the games by both the International Olympic and United States Olympic Committees.

PROGRAM ENHANCEMENTS

QUESTION:

According to your justification you are scheduled to broadcast WORLDNET programs 15 hours a week. What type of programs will you use to fill that time? Will there be any locations overseas that will receive all 15 hours a week? If so, where?

ANSWER:

Initially, in FY-85, we will transmit 2 hours of program material on a monthly basis to each network with the exception of EURONET which will receive a weekly feed. Susbsequently, after all equipment has been installed, we will provide a full 3 hours of transmission time per week per network, amounting to a total of 15 hours for WORLDNET.

A typical WORLDNET week would consist of the following:

a) Newsmaker Interviews with senior policymakers and others in the news;
b) Seminars on important issues, such as NATO, Soviet Succession, and Arms Talks, beamed to embassies for interactive discussions;
c) Video file: public affairs programs, such as ABC Evening News, Meet the Press, and Nightline;
d) One country specials;

e) Special events, such as press conferences by the President, Secretary of State, and other officials as required; and fast breaking news events requiring immediate official response, such as the shooting down of the KAL and Grenada;
f) Agency productions; and
g) Signal testing and technical services.

QUESTION:

Can you efficiently manage 44% growth in your Educational and Cultural Exchange Programs?

ANSWER:

Yes we can. The administrative processes for conducting the exchange programs are well established and they are working extremely well. We have an existing network of private organizations who assist us in conducting these programs. Very important is the fact that in these organizations and in our own staff we are richly endowed with professional expertise. These are the basic features which enable us to handle effectively this significant increase.

We have had the advantage of being able to anticipate these increases. As the Committee is aware, the USIA authorization for FY 1982 under the so-called Pell Amendment mandated a significant increase in the exchanges program through Fiscal Year 1986. The increases in the proposed budget are in line with this Congressional mandate. We have been taking specific actions to prepare for the management of a greatly enhanced exchange program. We have identified additional programming agencies to assist us in the administration of international visitor activities. We have taken action to strengthen the voluntary organizations around the United States which assist us in programming international visitors, and we are improving our automated data processing capabilities to facilitate the administrative workload associated with the higher exchange program level.

QUESTION:

The National Endowment for Democracy program is just getting off the ground. The regular program is growing from $18 million in Fiscal Year 1984 to $31.3 million next year. Given that the program is so new and that it is receiving such a large increase next year in its regular program, why are you asking for $3 million more targeted for Central America? Is there no flexibility in the existing program to meet the objectives of the Kissinger Commission?

ANSWER:

The original $31.3 million budget request for fiscal year 1985 for the Endowment was based on broad estimates of program potentials worldwide. Program plans, based on realistic assessment of current and long-range needs, are now in development, limited by the budget originally requested and now authorized for fiscal year 1985. To obligate such a substantial sum of $3 million to any one area of activity, no matter how urgent, would necessarily reduce the overall ongoing programs to be supported by the Endowment throughout the world. To fully support all of the many responsible requests which have come from that region would be far beyond the Endowment's current budgetary capabilities.

The request for an additional $3 million is based on assessment of the most appropriate ways to meet the extraordinary challenges presented by the current crisis confronting democratic institutions in Central America. Central America is an area where an immediate and intensified effort in support of democratic institutions could have a significant and beneficial impact.

REIMBURSEABLE DETAILS TO OTHER AGENCIES

QUESTION:

According to your justification, 23.2 positions and $1,296,987 will go for positions of other agencies filled by USIA personnel. (pg 3-6) What other agencies are involved? Why aren't these costs borne by those agencies?

ANSWER:

These costs are borne by the other agencies. The positions of other agencies filled by USIA personnel represent reimburseable details to the following: USUN, NATIS, ACDA, Peace Corps, Department of Transportation and the Department of State. The gross obligation estimate for base pay salaries is $1,296,987, and benefits are estimated at $172,979 for a total of $1,469,966. The Agency expects reimbursements of this full amount. The reimbursement is reflected as a deduction from our total needs on page 3-8 of the presentation document.

QUESTION:

According to your justification, your African program has more domestic employees to support and direct less overseas employees than your East Asia and Pacific program. Why is this?

ANSWER:

USIA conducts programs in 34 African countries and 14 East Asian countries. Therefore, domestic employees responsible for the African area must coordinate a greater number of country programs. Moreover, because of the modest level of staffing at each of the African posts, it is necessary to provide a greater degree of administrative backstopping in Washington.

QUESTION:

What activities are carried out at the African program's Regional Services office in Paris?

ANSWER:

The African Regional Service office of USIA is a Paris-based office designed to provide support to the Agency's African posts, especially those nineteen posts that make up French-speaking Africa. Three American officers, supported by a staff of French nationals, provide three major services: support to book and library programs, press support, and support to speakers and performing artists programs.

The ARS book program, operating in conjunction with the Agency's book program, has been responsible for the translation into French and acquisition of rights for over 1000 titles in the past twenty years for use in USIS libraries and for program support. The ARS speakers and artists bureau recruits performers and French speaking lecturers to tour our African posts. The ARS press service publishes a weekly news bulletin for distribution in French-speaking Africa and maintains contact with the Africa-related press in Paris and elsewhere in Europe.

QUESTION:

What are the duties of the program's Regional Youth and Sports Officer located in Nairobi ?

ANSWER:

The Regional Youth and Sports Officer coordinates U.S. sports programs in

Africa with the African Supreme Council for Sport in Africa and regional and national Olympic boards and athletic federations. He assists PAO's in developing Country Plan sports projects that reflect developing African athletic goals and USG policy in Africa and organizes coaching clinics, training camps, and seminars in various countries throughout the continent using Agency supplied coaches and materials as well as his own expertise.

The current RYSO, Mr. Mal Whitfield, is a coach himself and often personally directs short-term training programs and clinics.

RENOVATION/REFURBISHMENT OF CAIRO, EGYPT CENTER

QUESTION:

Why are you requesting $200,000 for renovation/refurbishment of your center in Cairo, Egypt when the U.S. has lost title to the building and must vacate it in the near future?

ANSWER:

The increase of $200,000 in FY 1985 is requested to provide for relocation/refurbishment of the Cairo, Egypt center at such time the relocation can be accommodated.

QUESTION:

What are the functions of the Regional Library Outreach Center in Paris and the Regional Resource Unit in London in your West European Program?

ANSWER:

1. The Regional Library Outreach Center (RLOC) in Paris was established in 1978 to provide European posts with support and professional advice in developing library outreach services. It consists of a Regional Library Consultant who supervises the operation and one Foreign National employee. The RLOC provides posts with comprehensive printed materials, data, and guidance to enable them to communicate more effectively with their target audiences. The Regional Library Consultant visits posts to assist in the development and maintenance of collections and outreach services, to help the posts in applying modern, efficient and effective library operations systems, to consult with professional librarians in local institutions, and to train Foreign Nationals, particularly in the use of direct dial access to data bases. The RLOC provides seven basic services to European posts from the home base in Paris: (1) conducts Data bank searches through various DIALOG databases; (2) provides Document services (U.S. Government and think-tank publications); (3) Loans microfiche (e.g., American Statistical Index, Congressional Information Service, etc.); (4) Answers reference queries and/or provides a referral source; (5) Supplies photocopies of periodical articles and document delivery of other materials as requested by the posts; (6) Dispatches "Alerts" of new publications of program interest; and (7) Administers funds for projects, services and material that contribute to the overall enhancement of the European Library Network System (EULNS).

2. RRU London was established in November, 1974, to assist European posts in identifying and programming American scholars and specialists, already residing in Europe or in a travel status, for use as speakers in support of posts' program objectives. It is a cost-efficient operation which makes use of the valuable "human" resources who are overseas at their own expense or that of some sponsoring organization. The RRU's objective is to locate, evaluate, offer to the posts and assist in scheduling American Speakers presently available in Europe to all EU posts (and to several posts in North Africa and the Near East). RRU is responsible for advising posts on a regular basis of speakers and films, VTRs and exhibits available in Europe for programming. In addition to offering to evaluate speakers and other resources as they become available, RRU coordinates posts' requests for individual

speakers (scheduling tours whenever possible to ensure maximum cost sharing) and carries out the necessary fiscal, administrative, and transportation arrangements to make these tours possible.

QUESTION:

You show in your justification for the Soviet Union and East European program that you hire special contractual employees in the U.S.S.R. and the G.D.R. For each country please provide:

1. total contract cost.

2. number of employees.

ANSWER:

In the G.D.R., there are four special contractual employees with a 1983 actual total contract cost of $45,903. The 1984 budget estimate is $54,453, and the 1985 budget estimate is $54,642. The U.S.S.R. has twelve special contractual employees with a 1983 actual total contract cost of $86,783. The 1984 budget estimate is $84,261, and the 1985 budget estimate is $88,729.

VACANCY RATE

QUESTION:

According to your justification for VOA, you had 180 vacant positions authorized in 1983, which you expect to fill in 1984. What is the reason for this vacancy rate? Do you expect the vacancy rate will drop in 1984? If so why?

ANSWER:

Since the establishment of a personnel office within the Voice of America, aggressive recruitment efforts have been initiated to fill long-standing vacancies along with the new vacancies that have been authorized. The positions which remain to be filled are difficult to fill due to the unique nature of the qualifications which VOA is seeking. These positions exist in our foreign language divisions and in our engineering elements. Suitable applicants for the foreign language positions must frequently be recruited from overseas. This may involve dealing with foreign governments, as well as the U.S. posts overseas in order to administer the examinations, conduct security clearance procedures, etc. Typically, a number of months pass between the time that a candidate is selected and the date that person actually enters on duty. The engineering positions which remain to be filled require special skills and talents which are in great demand by the private sector as well as by VOA. This poses a real challenge to us in successfully competing with the very attractive salary and benefit packages which are offered by the private sector.

VOA is successfully identifying candidates and expediting the necessary procedures to accelerate the hiring process. Such methods as paid advertising, targetted recruitment trips, and the establishment of intern/developmental positions have begun to pay off, and we now have over 160 candidates in the clearance pipeline. An additional 60 selections have been made as of March 31, 1984. VOA is confident that selections will have been made by the end of the fiscal year for all of the currently authorized vacancies, as well as for the anticipated attrition.

Attrition from our existing workforce is a key factor affecting our vacancy rate. On the average, approximately 12 additional vacancies occur each month as a result of attrition. The most significant factor contributing to this attrition is the large number of VOA employees who are now eligible to retire. We are recruiting to fill these old vacancies along with the new ones, and our on-board strength continues to show a steady increase in spite of the attrition. We expect that our vacancy rate will continue to decline in the future as we move through this period of rapid expansion toward a fully staffed organization, with only a nominal number of vacancies.

INCREASE OF 32 POSITIONS TO OPERATE NEW CARIBBEAN STATIONS

QUESTION:

Why is an increase of 32 positions in 1985 to begin operation of new Caribbean medium-wave stations treated as an adjustment to your base?

ANSWER:

These positions are required to operate the relay stations being built in the Caribbean and Central America. The project to construct these stations was first initiated in 1982 as a reprogramming request and was approved by the Congress. The positions and operating funds were therefore considered normal built-in requirements of a previously approved project.

ENHANCEMENT OF ENGLISH LANGUAGE BROADCASTS

QUESTION:

What steps will you take to enhance the quality of English Language Broadcasts? (2 positions $181,628)

ANSWER:

These writer/producer positions and additional funds are intended to support improvements in the VOA MORNING program.

We plan to reorganize MORNING to produce three distinct programs, each with its own host and production team, aimed at separate time zones around the world. This reorganization will increase the daily workload of the MORNING program staff from the present three half-hour segments each day to nine.

This reorganization is intended to provide more effectively targeted programming for the areas in question and to offer greater flexibility within each program by eliminating the need for fixed "windows" to accommodate different program elements which now must be dropped into the broadcasts as they are beamed to each area.

In addition, the added funds and positions will allow the MORNING staff more time to produce each of the many elements that form each program and to travel more widely in pursuit of this material.

Current budget restrictions and staff shortages not only force undue dependency on Washington and East Coast material, but also force the MORNING producers to rely far too heavily on "off-line" material lifted from sources outside the VOA (e.g. commercial network feeds and National Public Radio).

REGIONALIZATION OF NEWSCASTS

QUESTION:

Please explain your plans for the regionalization of newscasts. What will it cost? Why is is needed? How will you do it? (5 positions $107,940)

ANSWER:

Regionalization of the news product will take two forms.

First, we plan to increase and upgrade the staffing of our regional news desks. These very important desks are charged with developing and supervising news coverage relating to their areas for the Central News file. Current staffing and budgetary restraints force us to "pool" regional staff below the editor level, providing little, if any, continuity in the ranks of writers and researchers.

Upgrading this area will significantly improve the overall output of the Central News file, and allow us to provide vastly improved service to the language broadcasters. This will allow them with greater continuity of contact with central newsroom experts in their areas of concern.

Second, we plan to institute targeted hourly newscasts and newslines during certain hours of the day when English programming is beamed simultaneously to several very different areas of the world.

Editorially these targeted newscasts would be similar, but the order and emphasis of material included would vary according to the needs and interests of each area.

At present, hourly newscasts and newslines must be homogenized to serve constituencies as widely separated as those in Eastern Europe and Southeast Asia simultaneously.

Finally, these funds and positions will help us to eliminate the current practice of broadcasting two recorded repeats of morning cycle Newsline programs.

ADVERTISING BUDGET

Question:

Why do you need $140,000 for advertising in VOA?

Answer:

The $140,000 is intended to be used for newspaper and magazine advertising throughout the world in order to expand our listenership. Advertising of this type, which most domestic broadcasting stations and networks utilize, is intended to inform foreign listeners of program, time and frequency changes.

It will also be utilized to highlight special programs and broadcasts of special events to increase VOA listenership.

The advertising would be designed to encourage a reader response which would provide hard-to-get, much-needed statistical and demographic information.

QUESTION:

What are the functions of the Office of International Marketing in your Television and Film Service? Why do you need a Washington office?

ANSWER:

The Office of International Marketing is responsible for devising regional strategies and acting as liaison with key international broadcasters in an effort to actively promote and place Agency television products and services. This office will direct the work of the regional offices in London and Hong Kong, and will support them by producing brochures, catalogs and other promotional material for these offices and our posts.

In addition, this office centralizes responsibility for two other ongoing television and film activities: contact with visiting foreign TV producers in the US for cooperative productions and professional visits; and acquisition of audiovisual materials from private producers and other outside sources.

We will provide further elaboration of the Office's functions to the Committee.

QUESTION

What is the purpose of your current issues grant program? Who will receive the grants?

ANSWER

The purpose of the current issues grant program is to: foster on-going communication and cooperative projects on current international issues by counterpart U.S. and foreign organizations; facilitate international meetings on policy-related contemporary issues; and expand and strengthen the role of research and analysis of foreign public influences on international issues. Overall, the work program would be guided by the priorities of U.S. foreign policy, with mission needs of the Agency fulfilled by seeking out the best-qualified grantees in the private sector. Specific subject matter of grants would change during the year and from year to year, since the emphasis of a current issues grant program would be policy-responsiveness. The activities authorized under the current issue grant program would be consistent with the provisions of the funding authority, the Smith-Mundt Act.

The Agency will solicit applications representing a broad range of responsible and informed opinion from the United States and abroad. American and foreign academic and cultural institutions, exchange of persons and other organizations are eligible to apply for grant support. Applicants should demonstrate a proven record of work in the field.

QUESTION:

What review mechanism exists within USIA to review the impact and effectiveness of your magazine services? When was the last review made? What were its findings regarding each of your periodicals?

ANSWER:

There are both formal and informal mechanisms for reviewing magazines. The formal research procedure consists of a series of surveys designed and executed by the Agency's Research Division. Informal reviews are conducted periodically by Posts -- sometimes in conjunction with updating mailing lists and sometimes when assessing the relative impact of different media. A research study of Dialogue, the Agency's intellectual and cultural world-wide quarterly, is now in the design stage to survey reader reaction and magazine effectiveness in France. An Agency-conducted survey of Dialogue in Germany was completed in 1982. The results showed wide acceptance of the magazine and high credibility. Readers liked its format, content, and balance between art, culture, and social issue material. USIS posts in Thailand and India also conducted surveys of Dialogue in 1982 and the results were positive. The magazine is praised for its graphics presentation, blend of articles and intellectual level.

In 1980, USIS-Tokyo conducted a survey to assess the effectiveness of its quarterly magazine, Trends. This was a mail survey which resulted in a 41 per cent return rate. Readers gave Trends high marks for credibility and accuracy. Many respondents said Trends helps them keep abreast of developments in U.S. cultural life and society.

Recently, Agency area directors were asked to assess magazines distributed in their areas. The following are excerpts from their narrative reports based on interviews with field officers familiar with use of publications in their countries and the area directors' observations:

Africa: Topic and Dialogue are valuable instruments of U.S. cultural policy in Africa. They are credible. They are prized and they are read.

Europe: Field research and reports from our Posts indicate there is strong support for specialized publications like Economic Impact and Problems of Communism. In addition, our East European language editions of Dialogue are produced with insert sections that focus on country-specific subjects, events, and personalities in an American context. These language versions are highly regarded by our Posts and foreign recipients whose needs would not be adequately met by private sector publications in the English language. A publication like Dialogue provides insights into the intellectual, cultural and information currents present in American life.

Near East-South Asia: The nineteen Arabic language posts of the Near East-South Asia area have expressed very clearly their need for a strong, well edited, high quality publication in Arabic to serve as a regular vehicle for U.S. policy, articles on the United States, and area-related material. They suggests that al-Majal, the Agency's Arabic monthly periodical, should be strengthened to better serve these needs. Dialogue is serving a small but significant group of intellectual, academic and western-educated persons very well with high quality, intellectually challenging material.

East Asia: Dialogue portrays visually and textually the United States as a nation--people, its institutions and culture. Problems of Communism and Economic Impact are used effectively at all of our posts in small quantities for highly specialized audiences. Periodicals such as America Illustrated and Dialogue are effective showcases for our cultural, scientific and intellectual achievements.

Latin America: The Spanish language version of Dialogue (Facetas) is our highest publication priority. We also place great program value on Economic Impact distributed in our region in English and Spanish. A Spanish version of Problems of Communism has begun publication.

QUESTION:

Does the United States participate in every International Exposition sanctioned by the Bureau of International Expositions? Does USIA evaluate independently the value of each Exposition before the U.S. decides to participate?

ANSWER:

1. The United States has not participated in every Exposition sanctioned by the B.I.E., but we have participated in the most recent events. Since 1974 the United States has been or will be host to more of these fairs than any other country, i.e., Spokane '74, Knoxville '82, New Orleans '84 and Chicago '92. This fact brings up the question of U.S. participation in the fairs of nations that exhibit in the U.S.

2. Yes. USIA Policy, Program and Budget Officers evaluate participation in foreign Expos independently of Exhibits Service personnel. State Department advice is sought, as is that of the U.S. Department of Commerce because the foreign country which hosts an Expo abroad may have an official pavilion in one of the U.S. domestic Expositions. There is unwritten reciprocity involved. The U.S. is not obligated to adhere to this principle, but there are sensitive political and diplomatic perceptions involved.

The proliferation of Expositions in the last quarter of this century is due to the fact that anniversaries important to various host countries are occurring during this time frame. These anniversaries are surely more important to the host country than to the U.S. Indeed, U.S. domestic Expositions do not often mark important historical dates outside of their locality but America's most important international partners do participate in all U.S. Expos.

U.S. ADVISORY COMMISSION ON PUBLIC DIPLOMACY

QUESTION:

How often did the U.S. Advisory Commission on Public Diplomacy meet in Fiscal Year 1983? How many reports did it issue? Please list the titles and duties of each of the six positions of the Commission's Secretariat.

ANSWER

The U.S. Advisory Commission on Public Diplomacy met 13 times during FY 1983.

The Commission's annual report for 1982 was published in July 1982. The annual report for 1983 was published in January 1984.

Also during 1983, Commission members testified before a Congressional committee, met frequently with Congressional and Executive Branch officials, and actively participated in public policy issues concerning the Agency. Informal reports were prepared by each member of the Commission following his/her travel to USIA facilities.

The six positions of the Commission Secretariat are:

Staff Director (Foreign Service Minister Counselor): Directs the staff and provides staff support for the Commission and for its meetings. Advises the Commission on substantive Agency policy issues and keeps the Commission informed about Congressional developments and Agency programs and activities. Maintains liaison with senior Agency officials and with appropriate officials in the State Department, the National Security Council and Congressional staff members.

Staff Analyst (Deputy Staff Director), GS-14: Initiates, designs and administers major programs. Prepares analyses and evaluations of programs and policies. Performs Congressional, executive agency and public liaison work on substantive basis.

Writer-Editor, GS-12: Assists in researching and drafting the Commission's reports.

Administrative Officer, GS-11: Assigns and oversees administrative, secretarial, clerical and office work required by the Commission and its staff.

Secretary (Steno), GS-9: Provides secretarial and administrative assistance to the Staff Director, Deputy Staff Director and seven members of the Advisory Commission.

Clerk-Typist, GS-3: Receives incoming telephone calls and visitors; types correspondence from Staff Director, Deputy and Commission members; assists in assembling reports, memoranda and information materials for Commission members.

ACQUISITION ARRANGEMENTS

QUESTION:

What are the acquisition arrangements (lease, ownership, other) for the facility sites? What concessions i.e., cash payments, economic, or military assistance, have been made to obtain these sites? Do you have adequate assurance that the facilities can be completed and operated for at least a reasonable period before expiration of U.S. rights to the sites? For each site scheduled for construction and upgrade, would you provide a comparison of the timetable for completion of the project and the date for which the agency has firm agreement for occupying the facility.

ANSWER:

Recently, we signed agreements with the Governments of Sri Lanka, and Morocco. Negotiations are in progress with other countries in Europe, Asia, Africa, Caribbean, and Central America. The major arrangements in a typical government-to-government agreement include purchase or lease (with unlimited access) of necessary land, maximum number and maximum power of transmitters, duration of the agreement, duty-free import of equipment and material and compensation to the host country. As an example, the agreement signed with Sri Lanka is for a duration of 20 years with two 10 year extension options; VOA can install four 500 kW short wave transmitters and two 250 kW short wave transmitters; all equipment will be imported duty-free; and the title of the facility will remain with USG. The USG will provide the Sri Lanka Government one 250 kW short wave transmitter and associated antenna system. The agreement signed with Morocco is for a duration of 25 years; VOA can install the ten 500 kW transmitters on approximately 1500 acres of land supplied by the Government of Morocco; all equipment will be imported duty free; and title of the facility will remain with the United States Government. As complete payment for land rental and all other rights, the United States Government will pay to the Government of Morocco the equivalent amount of the capital cost and yearly operating cost of up to two 250 kW shortwave transmitters and associated antenna systems. The compensation varies from country to country depending upon the needs of the host country and the size of the VOA facilities. The duration of the agreement commences from the date the radio station becomes operational.

The right to occupy a site is firm when an agreement is signed. Estimated project completion dates reflected in the Master Plan for the Acquisition and Construction of Radio Facilities are based on the current status of agreements and negotiations. Preliminary work starts at the sites shortly after agreements are signed. Operating personnel will be phased into the sites starting two years before the projects are completed. Negotiations have been completed and agreements have been signed for the Sri Lanka and Tangier projects. Construction-related activities are currently in progress on both of these projects. Negotiations with other host countries are currently in progress and additional agreements are expected in FY-84. Construction of the Sri Lanka project is scheduled for completion during the Third Quarter of FY-89. Construction of the Tangier project is scheduled for completion during the Fourth Quarter of FY-90. Based on the current status of negotiations for those projects where agreements are still in the negotiation stages, projected completion of these other projects are estimated to be: the Botswana site during the Fourth Quarter of FY-88; the New Middle East site during the Second Quarter of FY-90; the Persian Gulf site during the Third Quarter of FY-89, the New Far East site during the Fourth Quarter of FY-90, the New European site during the Third Quarter of FY-90. Completion of the first of several interim facilities is scheduled for the Medium Wave in Central America/Caribbean project during the Fourth Quarter of FY-84 and the last permanent site during the Third Quarter of FY-87. The Puerto Rico site, which is not affected by negotiations, is scheduled for operation during the Fourth Quarter of FY-90.

COMPLETION DATES

QUESTION:

How many of the projects have been started? How do the actual cost completion dates compare with the estimates? If none are complete, which one is the most nearly complete and how does it compare to date?

ANSWER:

Front-end engineering work is currently underway on the Sri Lanka, Tangier, Philippines (Tinang) Augmentation, and the medium wave Central American and Caribbean projects. These projects are in the pre-contractual stage for advance engineering and technical development. Award of these contracts will provide the first opportunity to compare actual costs with estimated costs for that portion of the project. Construction cost estimates will become more refined as the Advanced Engineering and Technical Development work (step 1) and the Architectural/Engineering design work (step 2) associated with each major project are completed. Estimated completion dates for the projects have not changed.

OUT YEAR COSTS

QUESTION:

Is the 1985 estimate of $113.7 million the final installment in upgrading VOA? Or, will additional funds be requested in subsequent appropriation requests? If additional funds are required, please provide the estimated cost, projects, and timeframes.

ANSWER:

The $113.7 million requested for FY-85 is only a portion of the continuing VOA modernization program. The budget estimates reflected in the Master Plan for the out-years (FY 1986-1989) are: FY-86, $195 million; FY-87, $326 million; FY-88, $257 million; FY-89, $207 million. This modernization program is scheduled to be completed in FY-90.

CONTRACT COMPLIANCE

QUESTION:

What steps are being taken to assure that the VOA engineering staff can effectively monitor the numerous projects to ensure compliance with contract terms, etc?

ANSWER:

Two major actions have been taken to assure contractor compliance during all phases of the various projects. First was the major upgrading and reorganization of the in-house engineering staff, to obtain the necessary capability to provide engineering oversight and monitor compliance. This expansion has been directed toward obtaining experienced staff personnel thoroughly familiar with the management of major projects such as those planned for VOA. In this regard, the Engineering reorganization established the Projects Management Directorate which will consist of seventy-five engineers at full staff whose primary purpose will be to manage and effectively monitor all major projects.

The second action is the retention of the Architect/Engineer firms throughout the construction phase to assist VOA in assuring construction-contractor compliance during each major project. In addition to assisting the government in monitoring compliance, the firms will assist in handling unforeseen problems that may be encountered during construction.

The third element in the VOA's program to ensure contract compliance is the development of a system of internal control reviews targeted at those areas of contract award and administration which are most susceptible to fraud, waste, and abuse. In accordance with the guidelines set forth in OMB Circular A-123 and the Financial Managers' Integrity Act, these reviews will begin in earnest this summer. During the past year, the VOA has worked closely with the Agency's coordinating office to prioritize various vulnerabilities to fraud, waste, and abuse. As a result of these assessment efforts, the contracts and procurement area will be among the first group of functional activities to undergo internal control reviews.

INCREASES IN HOURS AND LANGUAGES

QUESTION:

The U.S. is far behind the Soviet Union in both the number of hours and the number of languages broadcast. What specific plans do you have to increase both broadcast hours and languages?

ANSWER:

VOA currently broadcasts 982 hours and 45 minutes weekly in 42 languages. A study of the Voice's long-range needs in 1982 prescribed an eventual increase in broadcast hours of approximately 40% and increase in broadcast languages of about one third. Implementation depends upon a number of factors: negotiation of sites for new facilities, the replacement of antiquated transmitters and antenna with modern, state-of-the-art equipment, the emergence of new technologies such as direct broadcasting via satellite, and particularly the funding of a multi-year $1.2 billion facilities modernization program and subsequent operating and programming costs by the Congress.

AUDIENCE SIZE

QUESTION:

How does the above impact on audience size? Do you have any comparisons on audience size?

ANSWER:

We currently estimate the VOA worldwide regular listening audience at 110,000,000. This is composed of those who tune into the Voice at least once weekly. We are convinced that this audience would be much larger if our signal were clearer and stronger. It is difficult to project a comparable estimate for Radio Moscow, which rarely releases such statistics. VOA audiences are usually larger and often much larger than those for Radio Moscow.

We base this interpretation on comparative audience measurement surveys of national or urban adult populations conducted in 35 centers outside the Communist world since 1977, which show the "percent of adults who listen to a station at least once a week."

WORLD ADMINISTRATIVE RADIO CONFERENCE (WARC) FOR HIGH FREQUENCY BROADCASTING

QUESTION:

The World Administrative Radio Conference (WARC) was to meet initially in January 1984. Concern has been raised that due to increased demand for shortwave capacity by Third World nations, WARC could reduce the frequencies available to international broadcasters such as VOA. Have the initial meetings of WARC raised issues that could adversely impact on our broadcasting program?

ANSWER:

The outcome of the first session of the WARC was to establish planning procedures that will apply a technical discipline to the use of the H.F. broadcasting bands. Many of our most important concerns prior to the conference were resolved in an acceptable manner. One major outstanding issue concerns the number of frequencies that will be available for VOA broadcasts. This issue remains a concern due to the uncertainties associated with the planning method adopted by the Conference and the increase in the number of broadcasting requirements from developing countries, including the Third World countries.

The impact of this situation on the VOA cannot be accurately assessed until the computer programs for the planning method are developed and schedules based on realistic, on-the-air, worldwide requirements prepared. However, the VOA is in a somewhat advantageous position because:

- our broadcasting requirements are distributed among a number of countries around the world;

- our broadcasting requirements are submitted by host country governments and shown as their requirements;

- many of these countries, although not all, have relatively small broadcasting organizations of their own, and;

- many of our host country nations are also Third World Nations or developing nations.

DIRECT BROADCAST SATELLITE FREQUENCIES

QUESTION:

Assessments of VOA's ability to utilize direct satellite broadcasts (DBS) conclude that the U.S. will be broadcasting via shortwave well into the 1990's. Is the U.S. currently involved in any international negotiations to ensure that satellite frequencies will be available to use when satellite broadcasting becomes a viable alternative?

ANSWER:

The International Space WARC will be held in 1985. VOA presently is working with NASA to establish the feasibility and probable availability of DBS for use in international broadcasting. USIA will present its position at the WARC to obtain regulations favorable to our position on DBS. Coordination with other involved nations will also be pursued. Present analysis indicates that all current conceptions of DBS can only supplement the terrestrial relay stations, and would be useful and cost-effective for special applications.

INTERNATIONAL BROADCASTING TRANSMITTER STANDARDS

QUESTION:

VOA's modernization program adopts a 500 kW standard for International broadcasting. The Report of the Massachusetts Institute of Technology to the Voice of America entitled "A Study of Future Directions for the Voice of America in the Changing World of International Broadcasting" (Feb., 1983) raised questions about the advisability of making 500 kW the new VOA power standard. Some have indicated that going to a 500 kW standard brings only a 3 decibel improvement in signal strength.

-- What were the factors involved in VOA's decision to adopt this new standard?
-- What will VOA gain by going to a 500 kW standard?
-- Does the improved signal merit the increased costs which may be associated with this new standard?

ANSWER:

VOA treats the matter of transmitter power as one element of an integral system. The object is to deliver quality signals. VOA's signal quality will be enhanced sharply by increasing transmitter power against a worldwide background of intensifying radio noise and strong competing signals from other international broadcasters. All international broadcasters are deploying a 500 kW standard in new construction or replacements to ensure their radio reception is not drowned out by competing elements. These high powers are essential to improve VOA reception in jammed areas.

500 kW power transmitters were chosen, not so much as a standard, but because these, combined with other system enhancements, will ultimately enable VOA to deliver broadcast quality signals under competitive circumstances, including jamming. By increasing the maximum VOA transmitter capability to 500 kW power output, and effecting antennas and other system improvements, VOA will be able to reach a much larger world audience than it now reaches. For certain

service areas and conditions, the transmitters sometimes can be operated at less than full power with resulting cost savings.

The new 500 kW transmitter designs are much more efficient than older models. Thus, VOA can operate these new 500 kW transmitters at only a slight increase in current operating costs. The capital cost of these new transmitters is only part of the total modernization program, which includes new improved antennas and associated facilities. The increase in signal strength of this integrated systems engineering approach, including the additional 3 db gain obtained from going from 250 kW to 500 kW, is well worth the cost and is essential if the VOA is to provide a competitive quality signal to desired listeners around the world.

EFFICIENCY OF 500 kW TRANSMITTERS

QUESTION:

The MIT report also discusses power efficiency of the new 500 kW HF transmitters, which use pulse duration modulation technology, and indicates those transmitters have a 50-55% improvement over the power efficiency of standard 500 kW transmitters. Does VOA plan to acquire 500 kW transmitters which use PDM technology? Are there any estimates of power costs system-wide using the new 500 kW transmitters, versus the previous VOA standard of using 250 kW transmitters?

ANSWER:

VOA does indeed intend to acquire transmitters with PDM (or equivalent) modulation circuitry. Such devices have system-wide implications, beyond their impressive efficiency, that are very desirable.

Using the 50-55% improvement in power efficiency as a base for estimation, a 100% increase in transmitter power output, from 250 to 500 kW, requires only a 30% increase in system power cost. However, for VOA, a more accurate basis for power cost comparisons is to assume that modern technology 500 kW transmitters will be 100% more efficient than a typically obsolete and under powered transmitter of the present VOA complement. Under this assumption, a new 500 kW PDM modulated transmitter proposed in the VOA modernization plan would not require any more power than that currently used by one of the old 250 kW transmitters. Thus, VOA will get at least twice the power output from the new transmitters at no significant increase in power cost for replacement of old 250 kW transmitters. However, the new 500 kW transmitters are in many cases replacing transmitters of much lower power than 250 kW, including many 100 kW and numerous 35 and 50 kW units. Systemwide, VOA will consume more power, but on a more efficient basis.

FREQUENCY BAND EXTENSIONS

QUESTION:

It has been suggested that an alternative to increasing power would be to expedite the clearing of the band extensions adopted at the 1979 WARC, thus enabling present stations to spread out. Would you comment on the feasibility of such an alternative.

ANSWER:

The extensions to the bands adopted at the 1979 WARC are to be phased in starting in 1989. These bands must still be cleared. However, there is a significant amount of out-of-band broadcasting in these bands and they are not significantly less congested. VOA already has frequency assignments in these bands for shortwave broadcasts from domestic stations to Latin America and from Liberia to Cental and East Africa. In some areas of the world the existing assignments in these bands support U.S. Military and/or NATO communication systems and these assignments have not as yet been, but need to be, re-accommodated.

An additional frequency is not an effective alternative for higher power. Both higher power and additional frequencies are necessary to provide an adequate signal level.

PROCUREMENT OF 500 kW TRANSMITTERS

QUESTION:

Are there currently any domestic manufacturers of the 500 kW transmitters which VOA plans to acquire, or do you anticipate having to go to one of the foreign manufacturers?

If VOA contracts with a foreign manufacturer, what effect will this have on the U.S. balance of payment?

ANSWER:

There is only one known domestic manufacturer of high power transmitters who has a design for a complete 500 kW unit. It is still in the development stage. There is no domestic supplier of designed, built and tested 500 kW transmitters. VOA is engaged in a continuing process of alerting potential domestic manufacturers to VOA needs to ensure they have ample opportunity to gear up and participate competitively in the VOA procurement effort, should they so choose. To the extent that domestic sources cannot competitively supply 500 kW units, it will be necessary to go to foreign manufacturers, several of whom already have commercial 500 kW unit production lines.

If it is necessary for VOA to buy 500 kW transmitters of foreign manufacture, it may have a slight negative effect on the U.S. balance of payments.

SHORTWAVE RECEIVER RESEARCH

QUESTION:

Both MIT and the Advisory Commission on Public Diplomacy have concluded that research into the design of high quality, economical shortwave receivers should be encouraged. What is VOA doing in this regard?

Do you anticipate such research to focus on receivers for new broadcast technology, such as DBS?

ANSWER:

The MIT report correctly noted that the U.S. Government cannot control the quality of receivers that the audience uses. Today, radio receiver technology is more dependent on advances in the performance-to-cost ratio of the components than on the actual receiver assembly technology. This involves the solid state chip technology, such as Very Large Scale Integration (VLSI). This technology is making large advances as a result of massive private sector R&D investment worldwide, and of large investments by the U.S. Government especially in military electronics. VOA cannot significantly influence availability of high-quality, inexpensive short-wave receivers for its total audience. Natural market forces will govern availability in some areas; in controlled societies, availability may be limited for political reasons. For example, listeners from communist controlled countries may not be given access to the newer technology higher-quality receivers.

Having limited influence on actual receiver development, VOA is taking an active role to understand better the evaluation of receiver technology. A contract for future DBS receiver technology and availability is to be awarded in FY '84 to provide a technical basis for DBS designs for international radio broadcast.

We are also developing information to explain techniques for improving reception by the listeners. These include principally changes to antennas that will aid in reception of weak signals. We expect that the information will be mailed or broadcast to VOA listeners.

COMBINING TRANSMITTERS

QUESTION:

Both MIT and the Advisory Commission on Public Diplomacy have suggested that VOA should consider coupling small transmitters together to obtain higher power. VOA has responded "...in the near-term it would be more expensive to couple small transmitters together to obtain higher power, as contrasted to using a single high-powered transmitter." How does VOA define "near-term"? Please provide cost comparisons, both for the near term and for the future.

ANSWER:

To simply energize an antenna, it is not cost advantageous for VOA to combine the outputs of many small transmitters to obtain a higher power transmitter. The cost of several small transmitters plus the combining network is considerably more than the cost of a large transmitter with power equal to the total of the small units.

There are in principle, however, technical advantages in feeding different portions of an antenna with smaller transmitters. There are technical issues with this approach, especially in switching, which must be resolved before VOA can evaluate whether benefits are cost effective. We are asking for an examination of these issues in the Worldwide Analyses. Only after a near term engineering development period of approximately three years will the economic factors involved be adequately defined. Possible future deployment of such systems could be phased into restoration of existing relay stations, and into major upgrades of sites in response to jamming. Major impact in the future would not be expected to occur much before the operational half life of a station, or about 10 years after start-up.

TRANSMITTERS GREENVILLE

QUESTION:

It is the Committee's understanding that the VOA is currently pairing 250 KW transmitters to achieve a 500 KW output at its Greenville facility. How has this arrangement worked out?

ANSWER:

Six Continental type 420 transmitters, each consisting of two 250 kW transmitters and a combiner to achieve a 500 kW output, have been in operation at the Greenville Relay Station since 1962. However, this arrangement of two transmitters and a combiner results in relatively low efficiency, compared to a modern 500 kW transmitter. Since this arrangement must be manually tuned, significant time is required to change frequency. Within-band frequency changes requires 15 minutes; and frequency changes to different bands require as much as 30 minutes. This poses significant scheduling limitations, both from a transmitter and manpower standpoint. A modern 500 kW transmitter can retune itself, without the need for manual tuning, in less than one minute.

PHILIPPINES AND BOTSWANA

250kW Transmitters

QUESTION:

The Philippines Relay Station currently has two new 250 kW transmitters in place. Given the new 500 kW standard, do you feel these transmitters are sufficient to meet VOA broadcast needs at this relay station?

What, if any, plans does VOA have to upgrade these two transmitters to 500 kW, or to pair them to put out a 500 kW signal?

If VOA has no plans to upgrade or pair these transmitters to achieve 500 kilowatts, how do the needs of this relay station differ from other new relay stations in that most of the other stations will be going to the 500 kW standard? Please also, respond to this question as it applies to Botswana where VOA has requested four new 250 kW transmitters.

ANSWER:

The two relatively new 250 kW transmitters at Poro, Philippines do not completely fulfill presently defined VOA broadcast requirements from that site although they augment and improve prior capability there.

While VOA does not plan to re-engineer these units for 500 kW operation, they will be usefully applied by the Network. It should be noted that the 250 kW transmitters, which are now two years old, were procured on the basis of planning prior to their 1979 purchase contract, prior to the VOA Modernization Program, and therefore not in precise alignment with present technology and overall planning. They will be approximately halfway through their life cycle when the twelve planned 500 kW units become operational. Also, there are broadcasts intended for audiences that are quite near to some of our relay sites. In these limited situations the 250 kW power would be quite adequate. VOA has established a 500 kW transmitter standard in which the power output may be tailored to provide no more or no less than the power actually required to provide appropriate coverage under any set of conditions. This variable power operation (from a single transmitter) has the benefits of flexibility and cost savings while providing a power reserve of the full 500 kW. VOA requires highest powers when confronting, for example, jamming, or when it must respond to a world crisis by focusing all available power temporarily upon a selected target region. Recently, this situation occurred with the Korean Air Line tragedy. Higher power is also required when attempting emergency backup of another relay station with broadcasts aimed much farther outward than normally required. All VOA relay stations should possess the dynamic capacity to react to such often abruptly changing conditions in order to fulfill their missions. The Phillipines stations are, therefore, not unusual.

Like the 250 kW Philippines units, the Botswana 250 kW transmitters, also purchased in 1979, may (based on current planning) be satisfactory only for certain broadcasts. Compared to 500 kW units, these transmitters would be less effective in a jamming environment and less capable for long range backup. The best deployment of these units is currently being reassessed. In this regard, VOA may only use two 250 kW transmitters, plus two 500 kW transmitters, in Botswana. This will be determined as the results of ongoing analyses become available in the near future.

TINANG VS BOTSWANA TRANSMITTER COST

Question

Information provided the Committee by VOA indicates that the two 250 kW transmitters acquired recently for Tinang, including the building, cost $3.65 million. VOA proposes to acquire 4 new 250 kW transmitters for Botswana at a cost of $14.1 million. Why will it cost almost 4 times as much to acquire 4 new 250 kW transmitters for Botswana than it cost to acquire the two 250 kW transmitters for Tinang?

Answer:

The transmitters at Tinang were installed in the existing relay station. The cost of $3.65 million was primarily for the transmitters and installation. At least two of the previously procured 250 kW Brown Boveri Corporation transmitters will be installed in Botswana. As indicated above the total transmitter plan for Botswana is being reassessed and two of the transmitters there may well be 500 kW. Thus, the estimate is based on that possibility. The $14.1 million shown for Botswana includes installation of the Brown Boveri Corporation transmitters; purchase, shipping and installation of two 500 kW transmitters and the cost of the transmitter building.

500 KW TRANSMITTER COST

QUESTION:

VOA estimates it will cost $3-4 million per 500 KW transmitter. How did you reach this estimate?

ANSWER:

The anticipated cost of a 500 KW transmitter, shipping, and installation in an existing facility is approximately $4 million. This cost has been verified with major manufacturers of the equipment.

SRI LANKA COMPENSATION

QUESTION:

In your cost estimates for Southern Asia/Sri Lanka, you include $6 million for one 250 kW transmitter for compensation to the host country. Why is the cost of that transmitter so high? Does the $6 million include other compensation? If so, can you detail the additional compensation for the Committee?

ANSWER:

The cost of the 250 kW transmitter includes "Associated Equipment", principally an antenna system that is adequate to meet the broadcast requirements of the Government of Sri Lanka. Additionally, VOA has included in this $6.0 million a pro rata share of the cost of VOA power generation to run the additional 250 kW transmitter.

NEW 500 kW TRANSMITTERS

QUESTION:

Information provided the Committee by VOA indicates that VOA plans to acquire a total of 54 new 500 kW transmitters for a total cost of $216 million. Your detailed breakout identifies 48 of these transmitters to be located as follows: Sri Lanka, 6; Tangier, 10; New Middle East, 6; Persian Gulf, 6; New Far East, 6; New European, 5; and Puerto Rico, 9. Where will the additional 6 transmitters be located?

ANSWER:

A total of 102 new 500 kW transmitters are planned to be acquired within the proposed VOA modernization and expansion program. New stations require 48. Replacement of obsolete and insufficiently powerful transmitters at existing stations requires 54. Only the 54 replacement 500 kW transmitters are included in the $216 million cost cited above. The cost of the other 48 transmitters is included within the costs of the individual projects.

The allocation of the 48 transmitters among new sites is planned as follows: Sri Lanka, 6; Tangier, 10; New Middle East, 6; Persian Gulf, 6; New Far East, 6; New European, 5; and Puerto Rico, 9. The allocation of the 54 replacement transmitters is planned as follows: Delano, CA, 8; Greenville, NC, 16; Kavala, 10; Liberia, 8; Philippines, 12.

NATIONAL ACADEMY OF SCIENCES PROJECT

QUESTION:

Your budget justification indicates that VOA has signed a contract with the National Academy of Sciences for a project to determine the suitability of new development in technology to HF broadcast program delivery and that preliminary reports will be available in FY 1984.

-- Have you received any preliminary reports. If not, when do you expect to receive the first of these reports.

-- Will this project evaluate the "suitability" of VOA's current modernization program? If so, do you anticipate the possibility of any changes to the modernization program as a result of this study?

ANSWER:

Quarterly progress reports will begin in June 1984. Items to be delivered under the contract include quarterly reports, annual reports, special reports on selected topics of study, and proceedings of technical workshops.

The Academy has been given a broad charter to assist VOA in the analysis of technology development related to VOA's mission, but with emphasis on technologies relevant to the VOA system requirements beyond those reflected in the current modernization program. For instance, the Academy will review direct broadcast satellite technology and its potential implementation by VOA. To form a basis for its deliberations, the Academy will review VOA's current operations and plans and the suitability of those plans. We do not anticipate such review of the modernization program will have any significant impact on the program as proposed, since our plans are in concert with the plans of other major international broadcasters. We seek the advice of the Academy in refining and improving our plans, and can reasonably expect some of their guidance to be incorporated into the modernization program.

SHORTWAVE BACK-UP

QUESTION:

The General Accounting Office in this report dated July 29, 1982 entitled "The Voice of America Should Address Existing Problems to Ensure High Performance" recommended that "The Director of the International Communications Agency should require the Associate Director for Broadcasting to eliminate back up shortwave transmissions." The Comptroller General of the United States on March 20, 1984 submitted to the Appropriations Committees, a follow up report of GAO's conclusions and recommendations affecting the operations of civil departments and agencies. This March 20 report indicates that action on this recommendation has been completed by VOA. However, page 6 of VOA's budget justification indicates "Primary signal feed is by satellite with a shortwave back-up..." Isn't this the same "shortwave back-up" GAO recommended should be eliminated? Please explain this discrepancy.

ANSWER:

VOA has completely eliminated the use of active shortwave back-up feeds to provide program material to those relay stations which are served by satellite feeds. In addition to relying on satellite feeds as the primary signal feed, VOA is also negotiating as part of the modernization effort to locate satellite earth stations at VOA transmitting sites to bypass the less reliable terrestrial links between foreign government earth stations and VOA sites. Because our reliability requirements exceed even what we can get from satellite communications, VOA will be able to reallocate existing shortwave transmitters as needed to provide feeds in emergency situations if the satellite links fail. These substitute feeds would not normally be in use (except for brief periods for maintenance or testing), but they could be put into service immediately in an emergency situation. The shortwave back-up costs referenced in the VOA budget justification are for the shortwave receiving systems necessary at a site to receive program distribution in an emergency situation.

STANDARD BUILDINGS

QUESTION:

Has VOA assessed the possibility of using pre-fabricated or standard-designed buildings for any of the relay stations identified in the current modernization program?

Please identify those sites where such buildings could be a viable alternative to the traditional relay station structures.

ANSWER:

There are currently no traditional relay station designs or standard building structures in the VOA network. Each site is different. In the past contractors were encouraged to make use of construction materials available in the country in question. An important aspect of the modernization program is to provide for standardized and modular designs where feasible. Generic site layout and facility plans are now being developed which will provide a common framework for all relay stations. These layouts and plans will be tailored for each individual new site depending on its specific geography and environment. The use of standard-designed buildings including pre-fabricated or modular structures is being considered.

All sites in the modernization program are candidates for the use of standard design buildings.

EXISTING ANTENNA REFURBISHMENT

QUESTION:

It is the Committee's understanding that of the $54,660,000 requested in FY 1985 for Antenna Upgrades and Design Verification at Existing Sites, $51,360,000 would be used to refurbish and repair existing antennas. Can you currently identify the antennas scheduled to undergo such refurbishment? If not, when do you anticipate being able to provide the Committee with such information?

ANSWER:

Identification of specific antennas to be refurbished, and the nature of specific upgrades, is to be performed during the Worldwide Transmissions and Restructuring Analysis. Appropriate engineering evaluations at VOA relay stations will commence immediately upon award of contracts (approximately June 1984.) Recommendations for antenna upgrades at the first sites evaluated will be made as early as August 1984 and the contracting process for refurbishment at these sites will begin at that time. Recommendations for all sites will be completed by January, '85. Almost all of the existing VOA antennas require some degree of refurbishment or up-grading to operate most efficiently and effectively in placing quality signals around the world.

QUESTION:

USIA is requesting for Fiscal Years 1984 and 1985, $4.8 million and $23.6

million, respectively, to provide undergraduate scholarships to students from seven Central American countries to attend U.S. universities.

Regarding the Scholarship Program:

(a) - QUESTION:

Will this program be administered under the auspice of the Board of Foreign Scholarships and the Fulbright Program? If not, will similar rigid standards used in the Fulbright Program be used in this program to select students?

ANSWER:

USIA expects the Board of Foreign Scholarships to play a role in the Central American Initiative program. The program will be administered in the Academic Program Division where the Fulbright Programs are currently administered and will adhere to the same high standards set for all of our academic programs.

(b) - QUESTION:

The proposal states that USIA and AID are proposing this program. Will this be a jointly administered program? Will both agencies be using the same selection criteria?

ANSWER:

USIA is cooperating closely with AID in the administration of this proposed initiative. USIA will administer the longer term scholarship programs designed for students desiring a college degree. AID will administer those students desiring a short-term, graduate or post-graduate technical course of study. Due to the differences in the nature of the USIA and AID programs, use of the same selection criteria may be impossible. USIA plans to cooperate with AID in those areas, such as the administration of the selection process and others, where cooperation is feasible.

(c)-QUESTION:

The budgetary proposal states that USIA plans to award about 168 scholarships for the 1984-85 academic year. The proposal further notes that the administrative procedures and plans, presumably for the academic year 1984-85, are to be developed. What action has been taken to date to develop the administrative structure including program plans? Are the timeframes realistic considering the time lag required in placing students, etc? Contrast the timeframe of this effort, in terms of selection and placement, with the Fulbright Program academic year 1984-85.

ANSWER:

One hundred sixty-eight is the number of students USIA anticipates placing in FY 1984 via existing mechanisms. The projected program of 2,700 scholarships will require that new mechanisms be put in place for the 1985-86 academic year. USIA is now developing the administrative requirements on the basis of which organizations active in the field would be selected. To develop these requirements USIA is receiving advice from the private sector and overseas. At this stage planning for the 1985-86 academic year is in synch with our Fulbright cycle. Selections would have to begin in the late fall of 1984 if that schedule is to be maintained.

(d)-QUESTION:

Will the seven new domestic positions be filled by current USIA staff members? If not, can you reasonably expect to implement a program of this size without an experienced staff?

ANSWER:

The seven new positions will, in all likelihood, be filled with a combination of both new and current employees. Current employees with proven experience and leadership ability will be placed primarily in positions of responsibility while new employees, if any, will be placed primarily in clerical and/or program assistant positions.

(e)- QUESTION:

Will private program agencies such as the Institute of International Education be used to administer the program? Are the program agencies equipped to handle this increase in programming, particularly given that USIA proposes increases in its other exchange programs that are administered by program agencies?

ANSWER:

USIA plans to work through private program agencies and American colleges and universities to administer the program. The programming organizations will be selected competitively. Based on a number of consultations with experts in the field, USIA is confident that the higher education community in the United States can accommodate this increase in scholarship programs.

(f) - QUESTION:

What will be the role of the governments and universities in the seven Central American countries?

ANSWER:

It is our intention to involve governmental and university representatives in all fundamental aspects of the program. We are asking their input as to the fields of study and types of scholarship programs (short term or long term) that should be instituted in each country. We will draw upon local experts to assist us in selecting candidates for the programs and, where feasible, will use existing selection processes for choosing students. In addition, we will involve government and university authorities in assuring that returning students will have their credits and degrees recognized in their country of origin so as to integrate them into host-country universities and the local job market. We want to be certain that our program does not appear to compete with local universities and does not create graduates of U.S. universities with little or no chance of finding meaningful work in their own societies. The only way to accomplish such goals is to involve Central American authorities throughout the various stages of our program.

QUESTION:

Regarding the International Visitor Program, how will the International Visitor Program's expanded effort in Central America differ from the programs of the National Endowment for Democracy?

ANSWER:

We are unable to compare the current International Visitor Program with any proposed programs of the National Endowment for Democracy since the NED to date has not finalized their program plans.

QUESTION:

What criteria will USIA use in the Spanish Book Program to select books for translation and to subsidize their publication and distribution?
--Are educators, government leaders, etc., to be consulted in the Central American countries as to their needs?

ANSWER:

In 1983, USIA produced the first edition of a catalog of books of U.S. origin published in Spanish, whether or not published with USIA support. These catalogs are being distributed in large numbers in the seven Central American countries, with the objective of assisting universities, educators, librarians and institutional leaders in identifying useful titles. The new 1985 funding would be used to purchase copies of books in the catalog related to the political, economic and social development, as well as books relative to U.S. life and institutions. Criteria for selection of additional titles for publication in Spanish will identify areas insufficiently covered in catalogued books or lacking entirely. Title selection will be based on nominations by USIA, the needs of educational audiences in the recipient countries and the Spanish-world publisher selected to produce the work. USIA assistance will be given to the publisher in the form of a copy-purchase agreement, not a publication subsidy, plus assistance in promotional efforts. Since USIA does not itself publish the books, and the Spanish-world publisher must make a substantial investment in each title produced, our copy-purchase agreement insures that the publisher will not suffer a financial loss.

QUESTION:

The FY 1985 budget request includes $19,050,000 for the East-West Center in Honolulu, Hawaii. In the past few years, the Center has been found by USIA auditors, to be using a number of unacceptable financial practices, such as overcharging the USIA grant for overhead expenses, prematurely withdrawing funds against its grants, and so forth.

-- What is the status of exceptions taken by the Agency on these financial practices?

-- Have all practices been resolved and all questioned amounts returned to the Treasury? If not, what amounts are still outstanding and what is the timetable for resolving these cases?

ANSWER:

Agency auditors found in June 1979 that the East-West Center had overcharged Federal agencies other than USIA for overhead costs. The funds received from this source were used to support authorized activities. The Center did not agree with the finding of excess recovery of overhead costs, and the question was referred to the General Accounting Office for settlement. The GAO decision supported the USIA auditors' position. As a result, the Center changed its accounting system and billing procedures and refunded $850,000 to USIA to settle the matter. The $850,000 payment was deposited to the U.S. Treasury as a refund.

The Center had been drawing funds against its grants prematurely and depositing the funds in interest bearing accounts. This was an attempt to build a reserve as protection against contingencies and to provide working funds in the event of delays in the appropriation process. The Center has discontinued this practice and made payment to USIA of $29,548 in earned interest. The funds were deposited in the U.S. Treasury as interest.

$31,300,000 BUDGET FOR THE NATIONAL ENDOWMENT FOR DEMOCRACY

QUESTION:

Your budget requests $31,300,000 for the National Endowment for Democracy:
--What are the terms of the grant agreement between USIA and NED? Have USIA and NED been able to reach agreement and sign the 1984 grant agreement? What types of disagreements existed? Are similar problems expected concerning the funds included in the 1985 budget estimate? What steps have been taken to alleviate such problems?
--Would you explain in more detail the types of programs to be supported by NED? How do these programs differ from USIA programs?

ANSWER:

USIA signed a grant agreement with NED on March 19, 1984. A copy of the grant is attached.

In negotiating the grant, three basic areas of disagreement arose: 1) the Agency's right to audit, 2) the total amount of money governing the grant, 3) the Agency's rights and responsibilities to monitor and review NED's grant making. The issues were treated with specific language in the grant agreement as noted below.

Article IV of the NED grant states, "USIA asserts that the rights of audit provided to the Comptroller General of the United States shall also extend to the Director of the U. S. Information Agency and his duly authorized representatives. Nothing in this agreement shall prejudice the Endowment's claims that the Agency does not have the right to audit. The Agency and the Endowment, prior to the sceduled audit, agree to seek from the Comptroller General a resolution of the rights of audit which the Agency asserts under this agreement, and to abide by that resolution." Compromise and subsequent grant agreements will hinge on GAO's opinion and recommendations stemming from their current audit of the entire Democracy Program, including NED.

The grant agreement for 1984 provides $18,000,000 for NED as appropriated in P.L. 98-166. A larger sum, $31,300,000, was authorized in P.L. 98-164. In recognition of this difference Article III H of the grant states, "As stipulated in the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriation Act 1984 (P.L. 98-166), funds specifically made available to the U.S. Information Agency in the appropriation, "National Endowment for Democracy" (6740210), shall be used to fund this grant. Nothing in this Agreement shall prejudice the Endowment's claim that in addition to these funds, it is entitled to funds appropriated to the Agency's "Salaries and Expenses" account as stipulated in sections 205 of the United States Information Agency Authorization Act, Fiscal year 1984 and 1985, and 503(a) of the National Endowment for Democracy Act, Public Law 98-164."

The Agency's FY 1985 appropriation request of $31,300,000 for NED coincides exactly with the amount authorized for NED in FY 1985 in P.L. 98-164.

With regard to the third area of disagreement, USIA review of NED's grant making, the issue was addressed in Article IV, sections F and G. as follows: "F. The Endowment will retain in its permanent files, and will furnish to USIA within ninety (90) days, the procedures that the Endowment will follow to:

1. Publicize the availability of grants under the Act.
2. Obtain submission of grant applications by private sector groups.
3. Select grantees for award and to determine the level of funding to be provided.
4. Monitor and assure compliance with the Act by its grantees.

G. The Endowment will retain in its permanent files and will, within ten days after the award of any grant under this agreement, furnish USIA a copy of the following:

1. A copy of the award.
2. A copy of the approved budget for the award.
3. A summary of the proposed program.
4. Appropriate supporting material describing the program."

NED and USIA programs differ because they respond to different legislative intents.

NED's main purpose, as stated in the National Endowment for Democracy Act, is "to encourage free and democratic institutions throughout the world through private sector initiatives, including activities which promote the individual rights and freedoms..."

USIA's purposes in exchanges and other programs conducted under the Smith-Mundt and Fulbright-Hays Acts are to support U. S. foreign policy objectives and to increase mutual understanding between the people of the United States and the people of other countries, and to tell America's story to the world.

The difference in the legislative intent of these Acts is clearly the emphasis, for NED, on building and strengthening free and democratic institutions, whereas for USIA the emphasis is on mutual understanding and influencing public opinion. These are parallel and complementary objectives, and there may be some theoretical overlap in some cases, but there are so many promising opportunities that, in practice, overlap need not occur. The Endowment, for example, could support the development of democratic institutions in a particular country where USIA, as a government agency, cannot or may not be able to do so. This may be the case in Eastern European and some Third World countries.

IA-20955-19-G

GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE NATIONAL ENDOWMENT FOR DEMOCRACY, INCORPORATED

MEMORANDUM OF AGREEMENT, made and entered into by and between the Government of the United States of America (hereinafter referred to as the "Government"), acting through the United States Information Agency (hereinafter referred to as the "Agency") and the National Endowment for Democracy, Incorporated, a nonprofit corporation located at 2100 Pennsylvania Avenue, N.W., Washington, D.C. 20037 (hereinafter referred to as the "Grantee" or "Endowment").

WHEREAS, the National Endowment for Democracy Act (hereinafter referred to as the "Act") provides that the Agency shall grant funds to the Endowment to enable the Endowment to carry out its purposes as specified in the Act.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

ARTICLE I

PURPOSE

A. The Agency hereby awards a grant of $18,000,000.00 to the Grantee to enable the Endowment to carry out its purposes as set forth in Section 502(b) of the Act, as follows:

(1) to encourage free and democratic institutions throughout the world through private sector initiatives, including activities which promote the individual rights and freedoms (including internationally recognized human rights) which are essential to the functioning of democratic institutions;

(2) to facilitate exchanges between United States private sector groups (especially the two major American political parties, labor, and business) and democratic groups abroad;

(3) to promote United States nongovernmental participation (especially through the two major American political parties, labor, business and other private sector groups) in democratic training programs and democratic institution-building abroad;

(4) to strengthen democratic electoral processes abroad through timely measures in cooperation with indigenous democratic forces;

(5) to support the participation of the two major American political parties, labor, business, and other United States private sector groups in fostering cooperation with those abroad dedicated to the cultural values, institutions and organizations of democratic pluralism; and

(6) to encourage the establishment and growth of democratic development in a manner consistent both with the broad concerns of United States national interests and with the specific requirements of the democratic groups in other countries, which are aided by programs funded by the Endowment

B. This Grant Agreement supersedes the Letter Contract dated December 1, 1983, bearing the same number.

ARTICLE II

PERIOD

A. The period of this agreement shall be from December 1, 1983 through September 30, 1984. All expenditures paid with funds provided by this agreement must be incurred for authorized activities which take place or commence during this period.

B. In addition, the unexpended but obligated balances of funds provided under this grant agreement shall continue to be available until expended for the specific purposes authorized under this agreement. Funds not obligated by the Endowment during the period specified in A. above, shall not be drawn down by the grantee and the amount of funds obligated will be reduced accordingly by modification hereto.

ARTICLE III

PAYMENT, ITEMS OF EXPENDITURE, AND ACCOUNTING DATA

A. The funds awarded pursuant to this agreement shall be used for the purposes described in Article I; shall be paid to the Grantee in accordance with the provisions of Section B. herein below; and shall be expended in accordance with the Items of Expenditure set forth in Section C. herein below.

B. The Grantee shall follow the "Letter of Credit Procedures" set forth by the Agency. The Grantee shall submit payment vouchers (Form TFS-5401) to its selected commercial bank requesting funds necessary to meet the immediate requirements of the Grantee in carrying out this agreement.

C. Items of Expenditure

1. Administrative Costs of the Endowment
2. Grants for programs of private sector groups.

   The Endowment will allocate funds in accordance with Section 503(e) of the Act.

D. The Endowment shall, within 90 days of execution of this agreement, provide the Agency with a budget which will evidence compliance with Article III, Section C. (1 and 2), above.

E. The amounts set forth under items C1, and C2, of Article III may not be transferred between those items without prior written notification to the General Accounting Office ("GAO") and the Agency, as grantor.

F. Allowability of costs incurred under this agreement will be determined generally in accordance with Office of Management and Budget Circular A-122 "Cost Principles for Nonprofit Organizations" as in effect on the date of this agreement. The Agency and the Endowment agree to submit to the Office of Management and Budget ("OMB") within 90 days a memorandum outlining which provisions of Circular A-122, if any, are applicable to the Endowment.

G. Travel and per diem costs charged to this agreement by the Endowment and its grantees shall be limited to the per diem amounts provided for U.S. Government employees for staff and U.S. participants. Foreign participants may be provided per diem and allowances not in excess of the amounts provided for International Visitors under the Agency's programs.

H. As stipulated in the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriation Act, 1984 (P.L. 98-166), funds specifically made available to the U.S. Information Agency in the appropriation, "National Endowment for Democracy" (6740210), shall be used to fund this grant. Nothing in this Agreement shall prejudice the Endowment's claim that in addition to these funds, it is entitled to funds appropriated to the Agency's "Salaries and Expenses" account as stipulated in sections 205 of the United States Information Agency Authorization Act, Fiscal Years 1984 and 1985, and 503 (a) of the National Endowment for Democracy Act, Public Law 98-164.

ARTICLE IV

RESPONSIBILITIES

In carrying out the purpose of this agreement, the Grantee shall be responsible for:

A. Planning, organizing and administering the program to carry out the purposes of the Act.

B. The Endowment may only provide funding for programs of private sector groups and may not carry out programs directly.

C. The Endowment may provide funding only for programs which are consistent with the purposes set forth in section 502(b) of the Act and which the Board of Directors of the Endowment determines are consistent with those purposes.

D. The Endowment shall comply with the requirements of section 504 of the Act and further shall insure that the Endowment and its grantees comply with the audit and reporting requirements of Section 504. USIA asserts that the rights of audit provided to the Comptroller General of the United States shall also extend to the Director of the U.S. Information Agency and his duly authorized representatives. Nothing in this agreement shall prejudice the Endowment's claims that the Agency does not have the right to audit. The Agency and the Endowment, prior to the scheduled audit, agree to seek from the Comptroller General a resolution of the rights of audit which the Agency asserts under this agreement, and to abide by that resolution.

E. The Endowment and its grantees shall be subject to the appropriate oversight procedures of the Congress. These procedures include the following:

(1) The accounts of the Endowment shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants certified or licensed by a regulatory authority of a State or other political subdivision of the United States. The audits shall be conducted at the place or places where the accounts of the Endowment are normally kept. All books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Endowment and necessary to facilitate the audits shall be made available to the person or persons conducting the audits; and full facilities for verifying transactions with any assets held by depositories, fiscal agents, and custodians shall be afforded to such person or persons.

(2) The report of each such independent audit shall be included in the annual report required by subsection 504 (h) of the Act. The audit report shall set forth the scope of the audit and include such statements as are necessary to present fairly the Endowment's assets and liabilities, surplus or deficit, with an analysis of the changes therein during the year, supplemented in reasonable detail by a statement of the Endowment's income and expenses during the year, and a statement of the application of funds, together with the independent auditior's opinion of those statements.

(3) The financial transactions of the Endowment for each fiscal year may be audited by the General Accounting Office in accordance with such principles and procedures and under such rules and regulations as may be prescribed by the Comptroller General of the United States. Any such audit shall be conducted at the place or places where accounts of the Endowment are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, records, reports, files, and all other papers, things, or property belonging to or in use by the Endowment pertaining to its financial transactions and necessary to facilitate the audit; and they shall be afforded full facilities for verifying transactions with any assets held by depositories, fiscal agents, and custodians. All such books, accounts, records, reports, files,

papers, and property of the Endowment shall remain in the possession and custody of the Endowment.

(4) A report of each such audit shall be made by the Comptroller General to the Congress. The report to the Congress shall contain such comments and information as the Comptroller General may deem necessary to inform the Congress of the financial operations and condition of the Endowment, together with such recommendations with respect thereto as he may deem advisable. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made contrary to the requirements of this title. A copy of each report shall be furnished to the President and to the Endowment at the time submitted to the Congress.

(5) The Endowment shall ensure that each recipient of assistance provided through the Endowment under the Act keeps such records as may be reasonably necessary to fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(6) The Endowment shall ensure that it, or any of its duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance provided through the Endowment under the Act. The Comptroller General of the United States or any of his duly authorized representatives shall also have access thereto for such purpose.

(7) Not later than December 31 of each year, the Endowment shall submit an annual report for the preceding fiscal year to the President for transmittal to the Congress. The report shall include a comprehensive and detailed report of the Endowment's operations, activities, financial condition, and accomplishments under the Act and may include such recommendations as the Endowment deems appropriate.

(8) The Board member and officers of the Endowment shall be available to testify before appropriate committees of the Congress with respect to such report, the report of any audit made by the Comptroller General pursuant to the subsection 504 (f) of the Act or any other matter which such committee may determine.

F. The Endowment will retain in its permanent files, and will furnish to USIA within ninety (90) days, the procedures that the Endowment will follow to:

1. Publicize the availability of grants under the Act.
2. Obtain submission of grant applications by private sector groups.
3. Select grantees for award and to determine the level of funding to be provided.
4. Monitor and assure compliance with the Act by its grantees.

G. The Endowment will retain in its permanent files and will, within ten days after the award of any grant under this agreement, furnish USIA a copy of the following:

1. A copy of the award.
2. A copy of the approved budget for the award.
3. A summary of the proposed program.
4. Appropriate supporting material describing the program.

H. The Endowment will maintain accounting control over the funds provided by this agreement with proper documentation.

I. The Endowment will comply with all laws, rules, procedures and regulations concerning Federal grants as they may relate to the administration of this grant made pursuant to the Act.

J. The Endowment may state in any announcement or publicity, where it is not inappropriate, that the activities conducted by it and its grantees are assisted financially under the Act.

ARTICLE V

REPORTS

The Grantee will retain in its permanent files the following written reports, copies of which will be sent to the USIA.

A. Program - The report required under Section 504 (h) of the Act.

B. Financial - A report reflecting expenditures as required in the audit provided for in Section 502(e) of the Act.

C. Letter of Credit - The reports required under the letter of credit instructions.

ARTICLE VI

LIAISON

All liaison shall be with the Director of the Agency who may delegate his responsibilities as he wishes.

ARTICLE VII

U.S. ADVISORY COMMISSION ON PUBLIC DIPLOMACY

The Endowment Board of Directors and the United States Advisory Commission on Public Diplomacy shall meet within ninety (90) days after the signing of this agreement to develop the terms of a continuing and appropriate advisory relationship as envisioned in the legislative history of the Act.

ARTICLE VIII

NONEXPENDABLE PERSONAL PROPERTY

The provisions of Office of Management and Budget Circular A-110 "Uniform Administrative Requirements.", Attachment N, shall apply to any nonexpendable personal property purchased with funds provided by this agreement.

ARTICLE IX

LOBBYING

The Grantee agrees that none of the funds provided by this agreement shall be used by the grantee organization or its grantees, for lobbying or propaganda which is directed at influencing public policy decisions of the Government of the United States or any State or locality thereof. This provision shall not be construed so as to abridge the right of any grantee organization to exercise the same freedom of speech as is protected by the first article of amendment of the United States Constitution, so long as such organization does not use funds provided under this grant in exercising such right.

ARTICLE X

Prohibition on Political Activity

The Grantee agrees that none of the funds provided by this agreement shall be used by the grantee organization or its grantees in support of domestic partisan political activity in the United States.

ARTICLE XI

Discrimination

The Endowment agrees to comply with:

A. Title VI of the Civil Rights Act of 1964, as amended, 42 U.S.C. 2000d et seq., which prohibits discrimination on the basis of race, color, or national origin in programs and activities receiving Federal financial assistance.

B. Section 504 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. 794, which prohibits discrimination on the basis of handicap in programs and activities receiving Federal financial assistance.

C. Title IX of the Education Amendments of 1972, as amended, 20 U.S.C. 1681 et. seq., which prohibits discrimination on the basis of sex in education programs and activities receiving Federal financial assistance.

D. The Age Discrimination Act of 1975, as amended, 42 U.S.C. 6101 et. seq., which prohibits discrimination on the basis of age in programs or activities receiving Federal financial assistance.

ARTICLE XII

AMENDMENTS AND MODIFICATIONS

No amendment or modification of this agreement shall have any force or effect unless it is in writing and signed by an authorized Contracting Officer of the Agency and the authorized representative of the Endowment.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the dates indicated herein below.

FOR THE GRANTEE NATIONAL ENDOWMENT FOR DEMOCRACY, INC.		FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA UNITED STATES INFORMATION AGENCY
John Richardson	Signature	Charles Z. Wick
John Richardson	Typed Name	Charles Z. Wick
Chairman of the Board	Title	Director United States Information Agency
3/19/84	Date	MAR 19 1984

A further difference is in NED's promotion of democratic institutions through efforts by U. S. labor, business and the two political parties, which have not been a focus of USIA programs. In fact, the participation of business and the political parties in encouraging democracy abroad is a new development brought about by the establishment of the Endowment.

Some of the activities to be assisted with NED funding, which USIA does not and, in many cases, cannot legally fund, include basic union-building abroad, assistance to International Trade Secretariats of various unions, political training for trade union leaders, assistance to trade union exiles and their families, support for the work of international labor organizations, aid to efforts to organize unions in totalitarian and dictatorial countries, training of Third World political leaders within their own regions, assistance to political parties and affiliated organizations in elections activities, assistance in conducting national public opinion polls, voter education programs, assistance in formulating party programs, organizational structure and behavior, work on integrating the local traditional sector into the democratic process, and help in formulating party approaches to issues of governance.

Another major difference stems from the requirement that USIA programs relate to the United States. Exchanges and other USIA programs involve Americans or America in some way. NED, however, can and will conduct exchanges, education and training programs, technical assistance, etc., that involve only one country or involve two or more countries abroad. USIA, by contrast, does not, in general, have authority to conduct exchanges between two or more foreign countries.

Another difference lies in NED's legislated purpose "to strengthen democratic electoral processes abroad through timely measures in cooperation with indigenous democratic forces." This is another area where USIA is unlikely to become directly involved.

And in non-AID countries, neither AID nor USIA can provide technical assistance for programs which are purely domestically oriented.

QUESTION:

USIA reportedly plans to reorganize the Office of Private Sector Programs subject to consultation with the Congress. However, the fiscal year 1985 budget proposal does not reflect any change. Are there plans to reorganize the Office of Private Sector Programs and redefine the program along a more narrow focus?

ANSWER:

The Bureau is considering a number of options to improve overall management. Some proposals under study may affect the structure of the Office of Private Sector Programs. As of this date, no plans have been formalized.

QUESTION:

The activities funded under the Private Sector Programs appear to be similar to those funded under the International Visitors and Academic Programs. Is there a significant difference between the Private Sector Programs and the International Visitors and Academic programs? Could not the activities funded under the Private Sector Programs be funded and administered by either the Office of Academic programs or the Office of International Visitors? Please provide the pros and cons of the arrangement described.

ANSWER:

The Office of Private Sector Programs was established to provide a direct cooperative link between USIA and the private sector in order to enhance mutual understanding between the people of the United States and other countries through educational and cultural exchanges.

The salient differences between the Office of Private Sector Programs and the Offices of International Visitors and Academic Programs are as follows: (1) The Office of Private Sector Programs is unique within the Bureau of Educational and Cultural Affairs in providing support in some of its grants that is specifically targetted to short-term bilateral or multilateral exchange projects proposed by USIS posts that are neither academic or research oriented, as is the case with academic programs, nor focussed principally on the American scene, as is the case with international visitors; (2) It also differs from the other two offices in initiating concept papers, in consultation with the geographic areas, whose purpose is to implement non-continuing, high priority projects supportive of American foreign policy goals as delineated in the Country Plan Process; (3) Moreover, Private Sector programs involve audiences that are clearly different from those in International Visitors and Academic Programs: e.g., Private Sector is not limited to professors, researchers, and students, as is the Office of Academic Affairs, and has a broader swath, from high-level professionals to youth groups, than International Visitors.

In addition to these distinctions, the Office of Private Sector Programs provides substantial grant assistance to American non-profit organizations of long standing (the "core" or "traditional" groups) engaged in ongoing exchange activities around the world which complement the Bureau's and Agency's mandate: e.g., National Association of the Partners of the Americas, Sister Cities International, U.S. Youth Council, National Association of Governors, Council of International Programs, etc.

Furthermore, Private Sector Programs offer a variety of methods of exchange much greater than those in the International Visitors and Academic Programs. For one thing, they are two-way exchanges, unlike International Visitor Programs, which only bring those from abroad to the U.S.; for another, they can involve both short-term targeted activities, and longer-term side-by-side professional experiences, unlike International Visitors, which typically brings groups of individuals to this country for month-long visits.

Because it meets different needs, works with different groups, can deal with a wider audience and enable a range of exchange activities here and abroad, the Private Sector Programs are both a valuable and cost effective means for USIA objectives. Finally, because the Office makes grants directly to private groups in support of their activities it enables programs to have the special effectiveness that occurs from activities recognized as private sector - not government - programs.

For all of the reasons stated above, the Agency does not discern any advantages to administering Private Sector Programs from another office within the Bureau.

QUESTION:

Would you demonstrate how the Private Sector Programs have impacted on the private sector organizations abilities to increase their parallel efforts?

ANSWER:

Most activities funded by the Office of Private Sector Programs involve significant private sector matching funds. Some examples of the effectiveness of these efforts include: the grant to the Council of International Programs (CIP) for FY'84 is matched by over two million dollars in private sector support; during the last calendar year, CIP increased its support from other sources--foreign governments and private sector--by 80%. A grant ($18,061) to the Partners for Livable Places was matched by grants from two foundations and two corporations totalling $45,000. A grant to the American Political Science Association ($7,680) was matched by a $11,600 grant from the Canadian Department of External Affairs.

Discretionary grants awarded by the Office of Private Sector Programs in FY'84 currently total $528,922. The total cost of the programs supported by these grants is $2,393,702. USIA's Private Sector Program funding equals only 22% of the total program costs for these activities.

QUESTION:

The International Youth Exchange Initiative is designed to increase participation and enhance the quality of youth exchanges between the U.S. and other countries through a national advertising campaign, private sector funding effort, support from partnered governments, community support and grants to American nonprofit youth exchange organizations.

What kind of response resulted from the advertising campaign? Did the response meet the expectations? If not, have you re-evaluated the approach?

ANSWER:

Since September 30, 1983, the start of the ad campaign, there have been 15,000 requests for the youth exchange brochure. Over half of these occurred since January 1984. The request rate is now averaging 3,500 per month. Several exchange organizations have reported large increases in their application rates.

Regarding expectations: We really did not know what to expect. There was no precedent for the youth exchange campaign since it was the first international campaign sponsored by the Ad Council. The Consumer Information Center in Pueblo, Colorado which is distributing the brochure, has told us that the pattern of inquiries (slow start, gradual build) is common to most public service ad campaigns. We are reluctant to form any firm assessments of the campaign only six months into a two-year program.

We plan some fine tuning of the ad campaign. We have begun discussions with the Ad Council and the ad agency providing pro bono creative work. Some of the possible refinements may include dropping the 10 second TV ad and developing a better print ad for magazines. These decisions will be made in consultation with marketing experts of the private exchange organizations.

QUESTION:

What was the result of the private sector fund raising activities? Compare the amount of funds available before and after the fund raising campaign.

ANSWER:

In just a little over a year, the President's Council for International Youth Exchange has raised $4 million in pledges for the Initiative. This amount represents new funding for youth exchange, over and above USIA's appropriated budget. Many of the donors had not previously contributed to international exchange activities. It is our hope that their involvement with the Initiative will lead to an enduring interest in youth exchanges generally.

QUESTION:

Has the Initiative replaced existing efforts? Did the original Initiative effort with selected countries cause problems with other youth exchange programs in non-participating countries?

ANSWER:

We made it very clear from the outset of the Initiative that it would expand and build upon existing programs of American exchange organizations, not compete with what they were already doing.

As regards the effect on non-participating countries, we know of no problems that have been caused by the Initiative. Many exchange organizations experienced a drop-off in enrollments in 1983, which resulted in a decrease in exchanges with several non-Initiative countries, but this is attributed to the world recession and severe economic circumstances in those countries. Please note that the ad campaign does not distinguish between Initiative and non-Initiative countries, but rather is designed to promote youth exchange in general.

QUESTION:

The Office of Inspector General has recently more than doubled from 12 to 26 positions:

With the increased staff, what priorities have been established for audit coverage? What emphasis is being placed upon monitoring the financial operations of USIA grantees? How many grantees have received subsequent awards without an audit to settle the expired grant?

ANSWER:

The Office of Inspector General presently has 14 people of which 10 are professional auditors. We are in the process of selecting twelve additional professional staff which should be completed by the end of April. Due to security clearances required, it could take up to October 1, before all the staff is on board.

The present and expected staffing with workload backlog are as follows:

	Person Year Backlog	Present Staff	New Positions	Total
IG and Clerical Staff		4	1	5
Professionals				
Grants and Contracts	24.5	2	5	7
Overseas and Domestic	17.2	4	3	7
Whistleblowing, Functional & Special Projects	8.6	4	3	7
	50.3	14	12	26

Additions to the Inspector General's staff will enable us to maintain the following schedule established for reviewing and auditing grants. The schedule is: annual audit of single grants over $15 million; biennial audits of grants between $1 and $15 million, three-year audit cycle of grants between $100,000 and $1 million; and desk audits, including review of CPA statements, of grants under $100,000. Therefore, all grantee organizations will be subjected to planned audit reviews within this three-year cycle.

QUESTION:

How many grantees have received subsequent awards without an audit to settle the expired grants?

ANSWER:

All recurring year-to-year renewal grants are awarded now to grantees without audits conducted specifically to settle expired grants. Other grant recipients, when subsequent grants are made to them, often receive them without a special audit unless specific issues have been raised. The findings of regularly scheduled audits, and the schedules will be upgraded as indicated above, are taken into consideration in renewing grants.

QUESTION:

How many grants have you made over the past five years? How many of these represent renewals or subsequent grants? How many of these grants were the subject of a financial audit or a thorough program evaluation?

ANSWER:

In the past five years the Agency's major grant making element -- the Bureau of Educational and Cultural Affairs -- has awarded 994 grants to institutions and organizations for exchange and exchange related activities. Of the grants, 384 were renewals.

Informal program reviews are conducted on an ongoing basis by the program officer responsible for the organization. In the past two years the Bureau has conducted formal program reviews of 18 organizations with whom the Agency has a continuing relationship. These formal programs reviews will continue in the future and will increase in number.

Over the past five years, the Office of Inspector General audited 37 grantee organizations. During the same period, the Defense Contract Audit Agency made 24 audits primarily for USIA and USAID. Some USIA grants were included in 15 audits the Department of Health and Human Services made at various colleges and universities in accordance with OMB Circular A-110. USIA grants were included in two audits by USAID and one by the Department of State. A total of 250 grant agreements were included in the above audits. Essentially all these were financial audits with little or no program evaluation.

QUESTION:

How many of the audit findings over the last five years dealt with questionable or disallowed expenditures?

ANSWER:

There were 34 out of 79 audit reports that had questioned/disallowed costs.

QUESTION:

Please provide a summary of these findings showing the disposition and include an explanation of unresolved findings.

ANSWER:

The following schedule summarizes the total costs questioned/disallowed by grantee organization for the last five years. Also included is the actual amount refunded to the U.S. Government as a result of the Contracting Officer's decision.

GRANTEES USIA AUDITS	Total Costs Questioned/ Disallowed	Actual Amount Refunded	Unresolved	Notes
FY 1983				
East West Center	$1,370,991	$879,548*		
American Council of Young Political Leaders (ACYPL)	34,917		$ 16,848	1
Mid-America Committee for International Business and Government Cooperation	32,983	4,574		
The Claremont Institute	27,867	2,542		2
FY 1982				
African-American Institute	Overhead Rates	18,196		
American Society of International Law	120	Allowed Per C.O.		
Meridian House International	53,532	Allowed Per C.O.		
Operation Crossroads Africa	1,875	1,875		
FY 1981				
AFS International/Intercultural Programs	1,381	1,381		
National 4-H Council	1,965	921		
Youth for Understanding	3,741	1,940		
American Assoc. of University Women Foundation	5,754	90		
American Council on Education	288,147	163,620		
ACYPL	12,149		8,077	1
FY 1980				
Penn-Yale Archaelogical Expedition, Egypt	1,982	Allowed per C.O.	$	
The Experiment in International Living	7,719	208		
America-Mideast Educational and Training Services	71,232	28,671		
Institute of International Education	8,908	7,154		
ACYPL			49,522	1

*In addition to the $879,548 that was actually recovered, the Center agreed to setup a fund in the amount of $765,000, which the auditor believes was derived from appropriated funds, for dormitory maintenance, repair, and renovation.

GRANTEES USIA AUDITS	Total Costs Questioned/ Disallowed	Actual Amount Refunded	Unresolved	Notes
FY 1979				
Foreign Student Service Council	$ 2,629	$ 2,629		
ACYPL	218,373		$218,373	1
East-West Center	1,028,158			3
Meridian House International	73,494	163		
American Council on Education	156,667			4
American Studies Association	24,195	1,528		
International Theatre Institute	524	524		
Town Affiliation Association of the U.S.	11,221	Allowed per C.O.		

C.O. - Contracting Officer

DCAA AUDITS	Total Costs Questioned/ Disallowed	Actual Amount Refunded	Unresolved	Notes
FY 1983				
National Committee on U.S. - China Relations	25,912		25,912	5
FY 1982				
American Institute for Free Labor Development	693	693		
America-Mideast Educational and Training Services	15,152			6
The Brookings Institution	625			7
FY 1981				
College Entrance Examination Board	4,224			8
Overseas Education Fund of the League of Women Voters	8,273	5,331		

Notes:

1. The initial audit of ACYPL in FY 1979 resulted in costs questioned/disallowed of $218,373. There were two additional follow-up audits in FY 1980 and 1981 to resolve the costs questioned/disallowed amount and to review additional grant costs. It wasn't until the latest audit report (October 5, 1983) that all prior items of costs questioned/disallowed were resolved. The Contracting Officer is in the process of finalizing the remaining $16,848 of questioned/disallowed costs.

2. The Contracting Officer has just reached a final decision that resulted in the grantee having to refund $2,542. The decision is currently being reviewed by the Office of General Counsel.

3. The audit results were referred to GAO on June 6, 1981 and a decision was issued on September 27, 1982. The unresolved items were included in the FY 1983 audit report.

4. Part of the FY 1981 refund amount included the results of the FY 1979 audit report. The grants included in the FY 1979 audit had not expired at the time of audit, therefore no refund amount was requested by the Contracting Officer.

5. The Contracting Officer stated that his office never received the audit report, and no action has been taken to resolve the costs questioned. A copy of the report has been forwarded to the Contracting Officer for action.

6. Costs questioned involves indirect costs. The audit was made for USAID by the Defense Contract Audit Agency. USAID is responsible for resolving the problem of questioned costs. USAID is the cognizant agency for matters concerning the grantee's indirect cost, and therefore is responsible for resolving these questioned costs.

7. The questioned costs were disallowed properly; however, the amount disallowed was offset by allowable costs the grantee had incurred that exceeded the grant limitation.

8. Grantee's billings were adjusted so as to correct the questioned costs within the grant term.

QUESTION:

Did the audits identify unexpended grant funds that remained with the grantees after expiration of the grant?

ANSWER:

Two grantee organizations had unexpended funds from expired grants on hand during the audit.

The major grants (over $125,000 per year) provided for payment by U.S. Treasury "Letter-of-Credit" procedures under which grantees draw down funds only as actually needed. This procedure provides an effective control in most cases. All other grantees are required to submit a final financial report within ninety days after the completion of the grant period and to refund any unexpended balance of funds. The Office of Contracts has a system to monitor the timely submission of reports and refunds. Delays in the submission of refunds has not been a problem in recent audits except in a very few cases. Some of the larger grantees had been drawing down the unexpended balance of grants under the Letter-of-Credit procedures prior to Fiscal Year 1982. This problem has been corrected and a system to review Letter-of-Credit balances and withdrawals has been established.

QUESTION:

Would you provide a summary of these findings to show the length of time these funds remained with the grantee, the reason for the delay in returning the funds, and any subsequent extension given to the grantee to carry out projects that had not been originally planned?

ANSWER:

An audit in 1983 of grants to The American Council of Young Political Leaders identified unexpended funds totaling $43,247 which were applicable to expired grants. These funds which the grantee had held for about one year, were returned to the U.S. Government on February 2, 1984. The reason for the delay in returning the funds was that ACYPL was seeking Agency approval to reprogram the unexpended funds on future programs.

The 1980 audit of America-Mideast Educational and Training Services, Inc. (AMIDEAST) resulted in unexpended funds of $18,783. This amount was returned to the U.S. Government in August 1981. These unexpended funds were for grants that expired between June 1977 and September 1979. There is no explanation why these funds remained with the grantee for such a long period. The prior audit report of March 1977 issued by the Department of State had not been formally responded to by AMIDEAST at the time of our audit in 1980. This could be the reason why AMIDEAST had not returned the unexpended grant funds.

Grantees are complying with the reporting requirements and refunds are usually made promptly. Audits normally are conducted biennially so we do not have records for the amount and time that refunds are held. No cases were identified in audits in Fiscal Year 1982 in which refunds of unexpended balances had not been made promptly. In FY 1983 there was one audit that found $43,247 in unexpended grant funds held by a grantee. These funds have now been refunded. Total refunds of unexpended grant funds for FY-82 and FY-83 were:

Fiscal Year	Number of Refunds	Total Dollars
82	53	$735,482
83	49	140,156

The large dollar amount for Fiscal Year 1982 includes the refund of excess drawdowns under Letters of Credit and represents funds under prior fiscal year grants. These refunds, and subsequent adjustments reflect the correction of a prior problem in the use of Letters of Credit referred to in the prior question.

It is not our policy to extend grants to permit grantees to carry out projects that had not been originally planned.

(b) - QUESTION:

Has there been any increased emphasis on conducting formal program evaluation of grantees? How much agency effort is devoted to evaluation of grantees' programs? Do you expect the level of program evaluation to increase or decrease over the next year?

ANSWER:

Yes, the Bureau of Educational and Cultural Affairs has placed increased emphasis on conducting formal program evaluations. The Associate Director has established the position of Grants Coordinator responsible for coordinating the review of all grant proposals. Approximately a year ago, the position of Evaluation Officer was established under the supervision of the Grants Coordinator with the responsibility of conducting formal program evaluation of grantees. Within the past year-and-a-half, 18 formal evaluations have been conducted, and evaluations will continue in the future without any decrease in effort.

Within the Office of Inspector General, in the past, there was little emphasis on formal program evaluations of grantees. With additional professional positions, the IG's office will initiate a formal program evaluation of grantees as a part of the audit plan. The program reports submitted by grantees 90 days after completion of the program are reviewed during audits of the grantee's financial records.

The audit coverage in this area has been very limited in the past. The Office of Inspections performed reviews of the Office of Private Sector Programs and the Office of International Visitors during 1983 which included some analysis of certain grantee programs. This is an unsatisfactory circumstance which the Office of Inspector General will correct as the professional staff increases.

The level of program evaluation will increase. With increased professional positions, more emphasis will be placed on reviewing the grant programs during audits of grantee organizations. The auditor will review the objectives of the program as stated in the grant agreement and determine if in fact the program accomplished the stated purpose.

PERSONNEL AND TECHNICAL COOPERATION WITH VOA

QUESTION:

Your budget justification states that the "Radio Marti Program is to be administered separately from other VOA functions."

--Does this mean that you will have parallel operations such as personnel, administration, and technical within the same organization? Will different personnel practices be used? Will any of the VOA regular technical staff handle the studio and transmitter operations for Radio Marti?

--Will the recording studios to be built in New York and Miami be housed separately from VOA's operations in those cities?

ANSWER:

The Radio Marti Program will be administered separately from the Voice of America, as provided by Sec. 4 of Public Law 98-111, which states "The Cuba Service shall be administered separately from other Voice of America functions and the head of the Cuba Service shall report directly to the Director and the Associate Director for Broadcasting of the United States Information Agency.

The Radio Marti Program has an independent personnel staff which will report to the Director of the Radio Marti Program. The Radio Marti personnel office and the Voice of America personnel office will cooperate and coordinate actions whenever appropriate. Unlike VOA, where most of the positions are in the competitive Civil Service, the Radio Marti Program has received authority from the Office of Personnel Management to do this. The majority of the positions in Radio Marti will be in the excepted service. As a result, a few differences will exist between hiring practices of VOA and the Radio Marti Program. These differences, however, are mandated by the differences between competitive and excepted services. We believe there will be no major differences between the hiring practices of VOA and the Radio Marti Program. Certainly, the Radio Marti Program will be guided by merit principles in hiring and placement of staff.

The technical operations of the Radio Marti Program and the Voice of America will be administered separately. There may be a brief overlap of certain individuals or offices initially, as the Radio Marti Program builds staff and facilities.

The recording studios in New York and Miami will be housed separately from VOA's operations.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

TELEPHONE RECORDING

On December 27, 1983, it was revealed that you had indulged in the practice of recording telephone calls. As I understand your explanation, the recording equipment was installed so that you could be responsive to your callers.

QUESTION:

When was the equipment installed?

ANSWER:

The recording equipment was connected to the telephone in the Director's office in January 1982.

Number of Conversations Recorded

QUESTION:

How many conversations were recorded?

ANSWER:

It is not possible to provide the exact number of telephone calls that were transcribed or listened to with notes taken thereon. This was a common occurrence in my office. After the calls were transcribed, action items in the notes of those conversations were extracted and distributed to the staff. Upon that event, original transcripts were no longer retained. The actual recording tapes were reused in routine fashion.

I have regretted the practice and I have apologized to all who were affected by the practice for my lack of sensitivity. While I did not believe the practice to be contrary to law, I had earlier been told that I should obtain and record the consent of all persons whose conversations I was recording. I did not feel that I was obligated by the regulations since they suggested a preferred management practice rather than imposing a mandatory obligation with sanctions.

QUESTION:

Were you not advised by your Executive Assistant, Robert Earle, as well as the former General Counsel, Jonathan Sloat, that telephone calls should not be taped without permission?

ANSWER

In December, 1981 I did receive a memorandum from Jonathan Sloat, General Counsel, informing me of the specifics of the GSA regulation regarding taping of telephone conversations. I may well have been advised orally as well by Robert Earle, my Executive Assistant, that I should seek the concurrence of the other party to a call to be recorded.

Recording of Calls in Washington

QUESTION

Was the recording of calls only done in Washington?

ANSWER

Recording was done primarily in Washington. One series of calls previously reprinted in large part in the New York Times, took place while I was in Florida. There is a question as to whether this may have been violative of Florida state law. The Florida state's attorney, after looking into this matter, determined to take no action.

Were Calls Recorded in California

QUESTION

Were not calls recorded in California where it is a violation of State Law to secretly record telephone calls?

ANSWER

Another call indicates that the transcription may well have taken place while I was in California recording a call to another person within the state. I am advised by my personal attorneys that, given the circumstances surrounding that call, it would not appear to be in violation of California statute.

QUESTION:

Just how much telephone recording equipment did USIA employ?

ANSWER:

The equipment in the Director's office for telephone recording included:

1. One message master 3 way pickup
2. Three telephone adapter cords
3. One multi-line no beep selector
4. Four portable micro cassette recorders
5. Three dictation/transcriber micro units

QUESTION:

Where are the transcripts of these calls?

ANSWER:

Transcripts of all recorded telephone conversations, notes transcribed by secretaries of conversations overheard by them, and four audio tapes of conversations were turned over to the Senate Foreign Relations Committee and House Foreign Affairs Committee investigators looking into this matter. An additional set of transcripts is on file at Agency headquarters.

QUESTION:

Do the transcripts reflect all the calls taped? If not, why not?

ANSWER:

As stated in the Agency fact sheet of January 9, 1984, eighty-one transcripts and four cassettes of telephone conversations recorded by USIA Director Charles Z. Wick were made available to the Senate Foreign Relations Committee and the House Foreign Affairs Committee. The Transcripts so delivered are of conversations recorded between July 8, 1981 and September 6, 1983. The practice has been discontinued. The number of telephone conversations recorded, with or without the consent of the other party, was only a small percentage of the Director's telephone calls. Many transcripts, once they served the legitimate purpose of conveying information for followup staff action, were discarded. The transcripts were not circulated beyond a small number of members of the Director's staff.

The Agency also made available to the Committees transcriptions of stenographic notes frequently taken by the Director's secretaries when he was talking on the telephone. Such notes are of conversations starting with May 27, 1982 and concluding on December 23, 1983. The notes provided are from 83 telephone conversations. The practice of taking such stenographic notes without notice to the other party has also been discontinued.

Stenographic notes were generally discarded once appropriate followup actions were taken by the Director or members of his staff. This was also true of many of the transcripts of recorded telephone conversations; and all but a few of the cassettes were reused once a transcript was made. Those that were not reused have been turned over to the Committees.

QUESTION:

Why was the request of the Archivist of the United States to review the transcripts denied?

ANSWER:

The request of the Archivist was denied because the Agency had taken the position that the transcripts represented personal papers of the Director, not "Agency records." This was also the basis of rejecting various Freedom of Information Requests for these same documents. The Agency is currently engaged in litigation regarding this issue.

QUESTION:

How could the transcripts be personal records of the Director if they were made on U.S. Government equipment and transcribed by U.S. personnel?

ANSWER:

In my statement of January 9, 1984 I noted that I used recording equipment in the way others use written notes--to help me make more fully informed decisions and to convey these decisions to associates more effectively. Just as the written notes and reminders of other Agency employees--albeit written on note paper provided by the government--are personal to them, so these materials constitute my own personal notes and reminders to myself. As mentioned in response to the previous question, the Agency is currently in litigation with this matter being one of the principal matters in dispute.

QUESTION

Were telephone calls recorded by anyone else in USIA?

ANSWER

This Agency has one transcript of a taped recorded telephone conversation made by former Deputy Director Gilbert A. Robinson. There is information to the effect that other telephone conversations were tape recorded by Mr. Robinson. We have been informed that these tapes and transcripts were turned over to Mr. Robinson. No material (other than the single transcript) relating to the recordings are in our possession nor do we know whether they still exist or if they do exist, where they are.

QUESTION

Mr. Wick, you want us to believe that the taping of phone calls was an inadvertent incident resulting from a desire to be helpful. If you wanted to be helpful, why is it that you had a policy of not taping calls from the President and Mrs. Reagan; certainly you would want to adequately respond to their requests?

ANSWER

The President and his wife are close personal friends of mine. When I had telephone conversations with them, I always did so in private, without staff present in the room. The nature of our conversations were almost invariably personal, not concerning Agency management affairs, thus requiring minimal follow-up. Where follow-up was required, I took personal notes or dictated a memorandum to that effect to my staff.

"BLACKLIST"

QUESTION:

On February 9, 1984 it was revealed that USIA had maintained a "Blacklist" of persons to be excluded from the American Participants Program. This program sends American speakers abroad, primarily in response to requests from USIA posts abroad. Mr. Wick, what useful purpose could be accomplished by such lists, particularly by an Agency that exists to portray America as a free and open society?

ANSWER

As I have stated publicly, the concept of "blacklisting" is repugnant to the very foundations of our democracy. The Agency Office of Inspections has completed an investigation of the so called "Blacklist". This inspection was undertaken at the instruction of the Agency Oversight Committee, which I established last summer to review and follow-up on the Agency's audit and inspection efforts. A copy of that inspection report is enclosed, as is my own statement responsive to that report dated March 29, 1984.

Response to other Blacklists in the Agency

QUESTION

On February 16, 1984 all USIA offices were requested to advise the Director if anyone was aware of any other Blacklists in the Agency. What was the response to that request?

ANSWER

There were no responses from the Agency of knowledge of other Blacklists utilized for any purposes.

QUESTION:

In the enclosures accompanying your February 23rd letter to Senators, it is mentioned that the inspection of the AMPARTS Program, including the blacklists, began on January 17 and would be completed in March. Will you furnish that inspection report to the Committee?

ANSWER:

A copy of Inspection Report is attached.

QUESTION:

A report to the Senate Foreign Relations Committee quotes senior USIA officials as saying that Deputy-designate Leslie Lenkowsky lied in denying knowledge of the Blacklist. What was the response of the Agency to that finding?

ANSWER

Deputy Director designate Leslie Lenkowsky has responded to the Senate Foreign Relations Committee report. The Agency has itself not made any response to that report or to any specific allegations contained therein. Confirmation hearings including the Deputy Director's alleged involvement in this matter are currently in process before the Senate Foreign Relations Committee, which is taking sworn testimony from several witnesses.

**United States
Information
Agency**

Washington, D.C. 20547

Statement of Charles Z. Wick
Director U.S.I.A.
March 29, 1984

I am releasing today the report issued yesterday by the Agency's Office of Inspections concerning the so-called "blacklisting" of potential government sponsored speakers. A report on the Agency's speakers' program was commissioned last fall by the Agency's Oversight Committee which I set up in August, 1983 to assist me in improving Agency management procedures and programs.

In their report, our inspectors note a number of serious management deficiencies concerning the speaker selection process. As Director, I accept overall responsibility for the conduct of Agency operations. I also accept the conclusions of the inspectors and welcome their recommendations for improving one of USIA's most important programs.

In addition, I would note the following from the inspection report:

1) While the inspectors criticized the selection process for speakers, they also concluded that "Analysis of field reports, interviews with a sampling of Public Affairs Officers in all areas of the world, and discussions with area directors reveal no discernible impact by the process on the quality of the speakers program, either positive or negative."

2) The report concludes "The Director appears to have been relatively - but not completely - remote from the actual process, and his connection with its establishment appears to be indirect as far as the details of its design are concerned. It would have been beneficial had he given more attention to how the process was being implemented and its possible consequences, given its sensitivity."

I agree. As I have stated publicly, the concept of "blacklisting" is repugnant to the foundations of our democracy. As Director I am ultimately responsible for a multitude of Agency projects and programs. I will heighten my own involvement to see that the speakers program is managed in a manner entirely consistent with standards of good management and legislative intent. USIA will work with Congress as necessary to resolve remaining questions concerning the program.

3) The report notes that "career officers long have seen as a reasonable and even essential part of their mission...to advocate American foreign policies and to persuade others that our policies are correct." The inspectors go on to say "This tension between balance and advocacy has been discussed for years in the Agency yet it persists."

The report notes that President Kennedy "prescribed an advocacy role for the Agency in 1963, and expected USIA not only to explain but to support foreign policy." The report goes on to say "Certainly there is good precedent in practice for the current strong advocacy course of the Agency under Director Wick."

I appreciate the serious and constructive work of the career inspection group.

REPORT OF INSPECTION INTO THE SO-CALLED "BLACKLIST" OF THE OFFICE OF PROGRAM COORDINATION AND DEVELOPMENT (P/D)

FEBRUARY - MARCH, 1984

Gordon Winkler, Chief Inspector
Victor B. Olason, Deputy Chief Inspector
Alfred V. Boerner, Jr., Senior Inspector
James L. Culpepper, Senior Inspector
Richard B. Fitz, Senior Inspector
Howard A. Lane, Acting Inspector
Dale A. Morrison, Inspector
Jerry L. Prillaman, Acting Inspector
John J. Tuohey, Acting Inspector

SUMMARY OF FINDINGS AND RECOMMENDATIONS

-- Emphasis on the "blacklist" itself is misplaced. It was merely a bureaucratic device to keep track of rejections of suggested speakers. It was the screening process initiated and employed by top management to vet potential speakers which lies at the heart of the problem. This process led to creation of the list. Management's imputation of blame for maintaining a "blacklist" to speaker program staff was both misdirected and unfair.

-- Though many relevant documents have been destroyed, there remains both direct and indirect evidence that numerous rejections were based on partisan or ideological criteria.

-- The design of the process, which was closely held and never documented, lends weight to the belief that it was intended to facilitate the use of such criteria.

-- The process was poorly administered. Repeated warnings about the improprieties which might result from the process, both from staff and from outside the Agency, were not heeded by top Agency management.

-- The screening process operated contrary to the Agency's legislative mandate, which requires that Agency programs be nonpartisan.

-- The screening process had no discernible impact on the quality of speaker programs overseas, according to field officers.

Recommendations

1. The need for a formal recommendation concerning speaker selection procedures has been obviated by action already taken by the Agency. The inspection team associates itself with the reforms noted in the memorandum of February 28, 1984, which forms Tab B of this report. That is: Standard operating procedures for the program should assign responsibility for speaker selection to the Director of the Office of Program Coordination and Development and his or her staff, operating under normal management oversight. This should not, however, preclude suggestions for speakers from top management or other elements of the Agency.

2. The Agency should take steps to clarify the mandate for the speakers program to assure that it conforms fully with the Agency's governing legislation. In particular, it should define the practical boundaries between impermissible partisanship in the selection of speakers and the requirement that the program support U.S. foreign policy.

REPORT OF INSPECTION

The Office of Inspections began a routine inspection of the Office of Program Coordination and Development (P/D) on January 17, 1984. Shortly thereafter the press reported the existence in P/D of a list of persons who had been rejected as possible USIA overseas speakers (Amparts) by a high-level Agency screening group over the previous two-and-a-half years. This list has been referred to in the media as the "blacklist." Early in its inspection, the IO inspection team found some copies of "blacklists" in a P/D file. The existence of such lists was common knowledge to P/D personnel at that time. Moreover, their existence was brought to the attention of management above the level of P/D in early December 1983. When the team raised this matter of the lists with P/D managers, they informed the team that they had been discussing with Acting Associate Director for Programs Gifford Malone possible revisions of the Agency's top-level screening process which had resulted in the lists. These discussions had taken place in mid-January, before the inspection team came across the lists, but action was not taken until February, after press inquiries about a "blacklist." When attention focussed on the "blacklist" matter, Agency Director Charles Z. Wick directed a review of it. In order to accomplish this quickly, the Office of Inspections turned to this subject as a separate object for inspection. This report covers only that special inquiry on the rejection of names of possible overseas speakers and matters related to that process. The regular inspection of P/D will continue and will be reported separately.

BACKGROUND

In the summer of 1981, the Agency's new senior managers decided to screen names of potential speakers for the American Participant program operated within the Associate Directorate for Programs. This decision superimposed top-level screening onto a selection system which had been in operation for several years. The inspectors spoke with those involved in making this decision. They gave a number of reasons for it.

Several said that during the spring and summer of 1981 several field posts reported about speakers who, in their opinion, had not adequately supported policies of the new Administration. These reports led to questions from Director Wick about how to deal with such situations. He told the inspectors that his intention at the time was to improve the quality of the program. One official told the inspectors that people in the White House were asking questions about the program, although Mr. Wick says this was not so. The same official said there was a sense among some in the new Administration that the previous Administration had "loaded the program with its guys." In accord with his concerns, Director Wick asked then Deputy Director Gilbert A. Robinson to follow the speaker program and its operations closely.

At the direction of Mr. Robinson, then Associate Director for Programs John Hughes established a procedure by which P/D sent Mr. Hughes weekly lists of potential speakers. He circulated copies of these lists for comments to Mr. Robinson, the three other Associate Directors and the Agency Counselor. In the early months, the review list also was provided to Mr. Wick. But distribution to him apparently was soon discontinued. A total of 135 review lists, containing almost 5,000 names, was circulated.

FINDINGS

WHAT WAS THE "BLACKLIST"?

The inspectors found 11 lists of names that the staff of P/D had recorded as rejected between 1981 and late 1983. Eight of these lists contained names rejected during given periods. A cumulative list of 79 names was prepared in September 1983 to consolidate these earlier periodic lists. This list, as updated to 84 names, apparently was provided to the press and described there as a "blacklist." An additional 11 persons were added to a new cumulative list in December, making a final total of 95. There is some indication that a few additional individuals may have been rejected during the operation of the process, but none of these names appeared on the cumulative lists. We have not included these cases in our analysis.

For many of the 95 names, the inspectors were unable to determine why an individual was rejected, or who rejected the name. In some cases, it is not clear whether, in fact, the individual was rejected. Sixteen of the rejected names, for example, also appear in records as approvals, and some of them actually travelled as Amparts. This confusion arises directly from the design of the Ampart screening system itself. The process was very closely held among the high-level screening group. This discouraged written documentation of the decision processes. Most rejections were communicated by phone. Explanations for rejections were only rarely made. Record keeping was minimal.

Many of the records that might have illuminated the reasons for rejection were destroyed in late January-early February, 1984 (see Tab A). This compromised the completeness of the inspection. The records remaining are sketchy and sometimes contradictory. Members of the screening group interviewed by the inspectors mostly do not recall any information about the bulk of the rejections. Where they do recall specific cases, recollections often are vague, or contradictory to those of other interviewees.

For these reasons, it is impossible to discern clearly what happened in most of the 95 cases. Nevertheless, the inspectors have attempted to analyze the reasons for rejections based on the limited information and records presently available. This tentative analysis represents our best judgment, but it should be taken with appropriate caution. The following table reflects these judgments:

1. Apparently rejected for partisan or ideological reasons	38
(a) Based on specific interviewee statements or documents (10)	
(b) Based on circumstances suggesting that a potential speaker on a nonforeign-policy subject was rejected because of views or affiliation incompatible with the Administration (22)	
(c) Based on circumstances suggesting that a potential speaker on a foreign-policy subject was rejected because of views or affiliation incompatible with the Administration (6)	
2. Apparently rejected because rejector felt speaker lacked qualifications, competence, was not appropriate, or could not travel	16
3. Apparently on list in error	10
4. Unable to determine reasons for rejection	31
Total	95

The inspectors also attempted to determine whether the individuals rejected were demonstrably of a particular political persuasion. We were unable to answer this question comprehensively because the political affiliation of an individual is a personal matter. Nevertheless, the inspectors analyzed the 95 individuals through the information they furnished to the Agency, if any, or through biographies available in public reference works. Where, according to public reference works, individuals have been elected to political office, or have served in political groups, or have participated in political activites, or have identified themselves to be members of a particular political party, or have served in policy positions within a particular Administration, the inspectors applied these data as evidence of political affiliation. We found that two Republicans and 29 Democrats were rejected. Determinations of party affiliation could not be made on 64 names.

THE SCREENING PROCESS HAS NOT AFFECTED PROGRAM QUALITY

Analysis of field reports, interviews with a sampling of Public Affairs Officers in all areas of the world, and discussions with area directors reveal no discernible impact by the process on the quality of the speakers program, either positive or negative. While fewer than 100 names were rejected, some 5,000 came through the screen for the approximately 1300-1500 individual Amparts required during the 2 1/2 years of the process. While some PAOs assert that P/D is more responsive to field needs than it was in the past, most feel the program's strengths and weaknesses are roughly similar to those of previous years.

What has been hurt by the extensive media publicity given to the "blacklist" and review process has been the credibility, not only of the Ampart program, but of the Agency as a whole. How deep or lasting is this injury cannot yet be determined. There have been cases of scholars who have declined to be associated with USIA because they could not subscribe to what they believed was politicization of its programs. Therefore it is important that the program be managed so as to avoid any suspicion of partisanship. The elimination of the screening process and return to the system previously used certainly are correct.

The inspection team made a special effort to determine whether the review process had resulted in any change in the "diversity" of the program because this is one of the key factors in the legislative mandate. The inspectors sought to compare the representativeness of the Amparts actually sent abroad under the Carter and Reagan Administrations by comparing the Amparts Departure Lists for CY-1979 and CY-1983. Since an individual's political persuasion is not indicated in the files, and time did not permit, nor discretion allow, thorough research into individuals, it was necessary to rely on a library and file check of a sample of the more than 500 who traveled in each of the two years in question. This was relatively unproductive. Most of the Amparts were academics whose party affiliations -- if any -- mainly were not known. Only a small percentage of Amparts have publicly aligned themselves with a political party or were politically appointed to a government position and could thus be identified as to political tendency. A few more identifiable Democrats traveled in 1979 (3.6% as compared to 1.0% Republicans) and a few more identifiable Republicans in 1983 (3.1% as compared to 2.1% Democrats). The inspectors did not consider this a significant difference.

Attempts to classify the 1205 names in the two sample years as "conservative" and "liberal" also proved unsatisfactory because of the subjective character of such judgments.

THE SCREENING PROCESS, NOT THE LIST, WAS THE PROBLEM

The so-called "blacklist" kept by the staff was only incidental to the central problem: the screening process itself. The recording of rejected names was merely a means by which the staff kept track of people it believed the top managers had instructed it not to program.

All but one of the senior Agency officials who were involved in the screening process and who were interviewed for this report expressed surprise that the P/D staff had been keeping a record of the names rejected. A number said words to the effect: "I never dreamed they would keep a list." The one who did not express surprise said he considered it to have been a reasonable action for the staff to have taken. The inspectors agree. Top management's imputation of blame aimed at the staff for keeping a blacklist -- following its public disclosure -- was misdirected and unfair. Its attention should have been directed to the screening process which began in August 1981.

THE SCREENING PROCESS USED PARTISAN POLITICAL CRITERIA AND WAS IMPROPER

There is both direct and indirect evidence of the use of partisan political affiliation and/or ideological orientation as criteria for rejection of a number of potential speakers. While other criteria apparently figured in the screening of names, to the degree that partisanship played a role, the process strayed from legislative mandate and was improper.

--The most recent Associate Director for Programs, W. Scott Thompson, told inspectors that the process "clearly had a political dimension" and that occasionally "blatant political sensitivity" caused rejection of a name.

-- Another of the screening officials, Associate Director for Educational and Cultural Exchange Ronald L. Trowbridge, acknowledged that he may have commented, on a rejected candidate, that he was an active Democrat and therefore unable to represent Reagan Administration policies.

-- A curriculum vitae of a rejected speaker--a specialist in U.S. government and domestic issues--was found with the word "no" written on page 1 and two references to the speaker's activities in the Democratic Party circled on the third page of a ten-page document.

-- In March 1982, then Deputy Director Robinson asked Associate Director Hughes to "put together a critique of the Ampart and Arts America Program for the Director. Get together a committee to look over our commitments and critique them. The committee should be comprised of a small conservative group."

Most of the officials who did the screening -- as well as Director Wick -- assert the raison d'etre for the process was to assure that lecturers for foreign policy-related programs were in tune with policy. Without agreeing that partisan criteria are proper for screening such speakers, the inspectors were particularly concerned to find that the screening group also applied a political/ideological litmus to name selection in subjects well beyond foreign policy matters. There certainly was no legitimate rationale for this kind of screening of all potential speakers, including those who would be addressing general U.S. political and social matters as well as culture and the arts.

For example:

-- A well-known civil-rights activist, also active in the Democratic Party, whose participation in a local Black history week was requested by a USIS post in the Caribbean, was rejected.

-- A former member of Congress, a Democrat, who in a visit to an African country had expressed willingness to the USIS post there to take part in the Agency speakers' program, on the topic of the "role of women in a developing society," was rejected.

-- A political-science professor who was nominated by the political and social processes staff with no specific project in mind, was rejected. A member of the screening group said he opposed the professor because he was known to have written critically on the "Committee on the Present Danger."

-- A former Secretary of Health, Education and Welfare in a Democratic

Administration who was nominated by the political and social processes staff, with no specific project in mind, was rejected.

-- A well-known feminist author, who had been a successful Ampart in the past, and who has been active in Democratic politics, was rejected.

This is not to say that other, legitimate criteria were not applied by the members of the screening group or even that a desire to screen speakers for political affiliation or ideological views was a central purpose in establishing the system. Nor did the review process screen out all critics or persons with views contrary to those of the Administration; some were approved, and a number traveled under the Ampart program. The reasons why some persons were excluded and others like them were not are unknown to the inspectors. However, as the discussion below indicates, the administration of the process was flawed and judgments often appeared capricious and arbitrary throughout the life of its operation.

THE SCREENING PROCESS DESIGN SUGGESTS POLITICIZATION

The design of the screening process suggests that it was intended to facilitate the use of political criteria and, certainly, contributed to the perception that it was.

--The review process was closely held. The P/D staff learned the identity of the screening group only inadvertently. The weekly lists were normally circulated to members of the review group in sealed envelopes marked "EYES ONLY". They were hand-carried to the members of the review group and comments often were conveyed by telephone. The review process was never written into the Manual of Operations and Administration, and very little ever was committed to paper about it. The review group rarely if ever explained to staff its reasons for rejecting potential Amparts. This habit of silence has been explained by former Associate Director Hughes on the grounds that sensitive personal factors were necessarily considered in the screening. Certainly, the confidential nature of the process fueled the suspicions of the career staff that the review was a political screening process.

--Significant in creating an aura of politicization was that three of the officials regularly involved in the screening (the Associate Directors for Educational and Cultural Exchange, for Broadcasting and for Management) were political appointees who had no responsibility for the Amparts program.

--The review process often operated without essential information on the qualifications of potential speakers. In general, the review lists were simply lists of names and affiliations. Brief notations about areas of expertise were introduced in the final months of the system. For a time, cable requests from posts were attached when speakers had been requested by name. In their absence, there usually was no information provided about specific programs in which the speakers were to be used. Thus, in most cases, the review process was little more than a process of name recognition, and not in the context of specific program needs. When a new Deputy Director-designate, Leslie Lenkowsky, began to participate in the process in late 1983, however, he regularly sought more information about proposed speakers and programs.

--There is little indication that, before superimposing the screening on the selection system, management evaluated the speakers bureau operations in any depth to determine whether changes were needed. It is significant in regard to selecting speakers for policy-related programs that then P/D Director Edward Schulick made clear to his superiors, orally and in writing, the staff's committment to its responsibility to identify speakers who could coherently and comprehensively enunciate policy, and explained how this was done.

MANAGEMENT OF THE PROCESS WAS FLAWED

Flaws in administration of the process contributed to management's failure to identify the problems and to address them before they became a matter of public embarrassment. Elements of the process raise questions about its ethical propriety.

--The Director appears to have been relatively--but not completely--remote from the actual process, and his connection with its establishment appears to be indirect as far as the details of its design are concerned. It would have been beneficial had he given more attention to how the process was being implemented and its possible consequences, given its sensitivity.

--Agency management failed to heed a number of warnings that the screening process could be a serious problem for the Agency. In July of 1981, then P/D Director Schulick alerted Associate Director Hughes to the concern that establishment of a top-level screening system could be interpreted as politicization and could harm the Agency. In a subsequent meeting, a delegation of P/D staffers made similar arguments to Mr. Hughes. In October 1981, Mr. Schulick notified Mr. Hughes by memo about inquiries by three newspapers on the Ampart selection process and suggested to him that the problem required attention. An Atlanta newspaper, in November 1981, reported that Walter Cronkite and David Brinkley had been excluded from the Ampart program for political reasons. The charge was not addressed or refuted at the time. Early in 1982, a number of articles appeared in the press criticizing the selection process and alleging politicization of the program. Later in 1982, a law suit was brought against the Agency and the Director by an academic Ampart who had been rejected, another incident that signaled the sensitivity of the process. Yet Agency managers failed to respond appropriately to these and other indicators of potential problems.

Once set in motion, the process took on a life of its own and continued without interruption, despite growing indifference of some of the reviewers.

--The managers of the process apparently failed to inform themselves that the staff was selecting hundreds of names from catalogs and other sources on which they had done little or no research, in order to avoid the waste of effort that would result if a name were rejected. The staff had been instructed not to talk with the prospective speakers prior to the vetting and simply collected names in a wholesale fashion to see if they would come through the screen. Once they did, the staff applied the more traditional selection criteria of expertise, professional standing and availability. Several of the screening group expressed surprise when informed by the inspectors of this modus operandi.

--The ethical propriety of a government agency conducting what amounted to a mass screening of names of individual Americans in the absence of any awareness on the part of those individuals that their names were being vetted should have been of concern to management.

--The officers in charge of the staff generally believed that the rejections were intended to be permanent. This was based on their understanding of the process as a name-vetting exercise, outside of program context and without comment on reasons for rejection. The inspectors find this assumption understandable. A number of unsuccessful appeals also encouraged the view that rejections were permanent. However, in practice, experience in submitting and resubmitting names varied, another example of the confusion and inconsistencies in the administration of the program. Staffers did occasionally resubmit names of potential Amparts after they had been rejected. Some officers took advantage of changes in political appointees to resubmit names that had been rejected on earlier lists. Others refused to accept the initial decisions of the review group and presented the same names with additional evidence for suitability. In some cases, the Associate Director for Programs or the Director of P/D simply ignored recommendations or comments by review group members and approved travel of potential Amparts. As a result, some individuals whose names appeared on early rejection lists were later sent to the field as Amparts.

--The screening process operated for 135 weeks in part because top level management had to some degree cut itself off from effective communication with working level officers and their supervisors. The astonishment of management at the existence of a "blacklist" shows this starkly. The perception at the working level that initial objections to the screening process rarely had effect and that future objections would be fruitless helps to explain the apparent acceptance by the career staff of a process which troubled staff members throughout its existence. Noteworthy is the fact that the existence of a name vetting process for Amparts was fairly widely known in the field as well as Washington for most of the time the process was in operation. One Public Affairs Officer, for example, before submitting a specific Ampart suggestion, had his desk officer determine whether the individual had been previously rejected.

--As time went on, the names on the list were merely circled or underlined, and short comments or question marks were scratched in the margin of the list without further elaboration. Some reviewers rejected people who were eminently well qualified in the eyes of other reviewers. Several recipients of the lists simply threw many of them in the waste paper basket. Richard Bissell, a former P/D Director, summed up the process as "inefficient," "not serious," "extraordinarily haphazard," and "inadequate."

THE SCREENING PROCESS OPERATED CONTRARY TO THE LEGISLATIVE MANDATE

As noted, to the extent that it incorporated political criteria and excluded individuals on the basis of their political ideas or affiliations, the screening process was improper when measured against the Agency's legislative mandate. While a wealth of legislation can be cited which obligates a diverse, broad-based, and nonpartisan approach to Agency programs, perhaps the clearest statement is found in the Presidential message transmitting Reorganization Plan No. 2 of 1977:

> "The new Agency's activities must be straightforward, open, candid, balanced and representative. They will not be given over to the advancement of the views of any one group, any one party, or any one administration. The Agency must not operate in a covert, manipulative, or propagandistic way."

The Reorganization Plan was approved by Congress in 1978 and has the force of law. It is the most recent legislative mandate of the Agency and provides the basis for the Agency statement of mission in Chapter I, Manual of Operations and Administration, Section 210. This statement of mission continues in force and calls for "the broadest possible exchange of people and ideas."

The two legislative pillars underlying the Reorganization Plan are the Fulbright-Hays and the Smith-Mundt Acts. Under the first, it is very clear that politicization of Agency programs is improper, and indeed, the fear of such a politicization was a major issue at the time of the reorganization in 1978. Programs based on Fulbright-Hays have been and continue to be under a strong mandate in favor of scholarly integrity and nonpolitical character. One could not, therefore, apply a political standard to foreign policy programs organized under Fulbright-Hays.

Prior to 1983 the legal authority cited for Ampart grants was the Fulbright-Hays Act. This Act was cited in the grant document itself as authority for travel grants. It would therefore seem clear that

Fulbright-Hays standards of scholarly integrity and nonpolitical character would apply to all Ampart programs organized under this authority, including foreign policy programs.

However, in 1982, a prospective Ampart sued the Agency on grounds that he had been excluded for his political ideas from a program on foreign policy. This caused a review of the Ampart program's authority by the Justice Department and the Agency General Counsel. Both concluded that, based on Fulbright-Hays standards, one's ability to articulate Administration policy in a program on that subject was a proper criterion, but partisanship or the willingness to advocate the policy in question was not. The suit was settled by the parties out of court.

But the issue was not resolved for the Agency. On the contrary, the General Counsel was faced with a dilemma: how to reconcile the legislative mandate with a practice Agency managers and career officers long have seen as a reasonable and even essential part of their mission, that is, to advocate American foreign policies and to persuade others that our policies are correct. President Kennedy, for example, prescribed an advocacy role for the Agency in 1963, and expected USIA not only to explain but to support foreign policy. Similar directions may be found in varying degrees prior to the present Administration. Certainly there is good precedent in practice for the current strong advocacy course of the Agency under Director Wick.

Under this practice, it is normal to seek speakers from among the ranks of Administration policymakers and to augment them with nongovernmental speakers who advocate the policies under discussion. In the choice of these nongovernmental speakers, many officers feel it is reasonable to inquire as to their ability to articulate persuasively the policy in question. It is not suggested that career Agency professionals themselves support a partisanship or political litmus test for foreign policy speakers. Most certainly would not. But all would be concerned about a prospective Ampart's ability to articulate Administration policy, and would consider this ability a reasonable criterion for selection. The primary concern in these foreign policy areas is to assure understanding of our policies, not misunderstanding.

This tension between balance and advocacy has been discussed for years in the Agency and yet it persists. In 1983, following the suit of the excluded speaker, the Agency General Counsel responded to it in two ways. The first response was to modify the Ampart brochure to state that most often "speakers who are qualified to explain U.S. government policies" are sought as Amparts. The second response was to add Smith-Mundt to the Fulbright-Hays authority for the Ampart program in the grant document. This was because it could be argued that advocacy or persuasion programs might be sustained under Smith-Mundt, whereas such an argument could not be made under Fulbright-Hays. While the General Counsel stated that it would be "ploughing new ground" to add the Smith-Mundt authority to Fulbright-Hays, it would provide a basis upon which an advocacy role might be argued. At the same time it is difficult to see how Smith-Mundt can be read apart from the Reorganization Plan of 1977 and the intent of Congress at that time. This intent was very clear: Partisanship was not a proper standard.

But what are the limits of the Agency's "advocacy" authority with regard to presentations on foreign policy in the speakers program? Does it have discretion to send only advocates of Administration policies overseas to address those policies? Or is it legally bound to demonstrate balance in each and every program, or to provide critics of policy with equal time?

The mandate is unclear in this respect, or at least the understanding of it is confused. Agency management should address this question, in order to clarify its mission and to eliminate the confusion.

But there should be no confusion at all about the screening process under review in this report. It is beyond dispute that exclusion of otherwise qualified individuals through the screening process was improper and contrary to the Agency mandate. This is most clear in regard to programming outside the foreign policy field where to exclude individuals eminently representative of American society is particularly unjustifiable.

TAB A

Tab A is a memorandum describing conduct which is now being reviewed by the Department of Justice. Accordingly, the Agency is withholding the document from public availability at this time. The Agency will reconsider public availability of the document upon conclusion of the Department's review.

TAB B

To: P/D Deputies, Program Managers, and Program Development Officers 2/29/84

From: John Mosher JM

Subj: AmPart Selection and Programming

Attached: my memorandum to Gifford Malone dated 2/28/84

The attached, approved memorandum sets forth the new AmPart selection process which we have devised, the latest step in the ongoing evolution Gifford Malone and I have been engaged in since January.

The next step, and complementary element to the procedures outlined here, is the development and establishment of the speaker bank, which we shall now push forward at high speed.

Please note the obligation of the Program Development Officer to locate speakers from all possible sources and the heavy obligation on Program Managers both to coordinate and supervise the work of their staffs and to fully inform the Deputy Directors and Director, P/D.

cc: Gifford Malone
Gordon Winkler

MEMORANDUM FOR: P - Gifford D. Malone

FROM: P/D - John Mosher JM

SUBJECT: AmPart Selection and Programming

Despite all recent improvements, our selection system has been one in which proposed names were submitted for review and exposed to possible rejection. You and I have agreed that we wish to move to a new constructive system based on a continually expanding bank of expert speakers.

To do this, I propose a new system emphasizing responsibility and consultation. The programming function should be firmly placed with the

Program Development Officer (PDO), where it belongs. Managerial oversight and responsibility rest in varying degrees with the Program Managers, the Deputy Director and Director of P/D, the Associate Director of P, and ultimately with the Director of USIA.

Specific Responsibilities

1. Program Development Officer

The PDO has primary responsiblity for identifying potential speakers who are expert in his/her thematic area and likely to be responsive to field requirements. The PDO is responsible for creating and using an up-to-date speakers bank composed of diverse individuals identified in the PDO's research, contacts with relevant organizations and university departments, appropriate government agencies, panel members of the National Endowments, former successful AmParts, encounters at conferences, recommendations of top USIA management, and other such sources. The PDO is responsible for selecting, in intensive consultation with the Program Manager, speakers from the bank who will participate in the programs assigned to him.

2. Program Manager

The Program Manager has overall responsibility for the bank of experts in his thematic area to assure that the speakers represent the range of qualities necessary to effectively fulfill the needs of the field and advance mission objectives. He is responsible to decide if choices made by his staff are appropriate to the purposes of the program, and to insure that the best available AmPart is selected and that new participants are constantly brought into the AmPart program. The Program Manager will keep the Deputy Director and Director of P/D fully informed on the program and will consult with them to resolve any potential problems.

3. Deputy Director and Director, P/D

Responsibility for the whole AmPart program lies here. Issues the Program Manager cannot resolve are decided by the Deputy Director and Director, P/D, who can, if necessary, refer such issues to the Associate Director, P. At his discretion, the Associate Director may consult with the Director or Deputy Director of USIA.

APPROVE CW DISAPPROVE______ DISCUSS______ DATE 2/29/84

TAB C

INDIVIDUALS CONSULTED

BALDYGA, Leonard, PAO Rome
BAYONA, Hugo, Program Development Officer, P/D
BEARD, John, former Program Development Officer, P/D
BEAVER, Wendy, Program Development Officer P/D
BEMIS, Robert, Deputy PAO Rome, former Special Assistant to the Associate Director, P
BENNETT, Tracy, Special Assistant, P
BERNIER, Edward, Information Officer Cairo
BERTOT, Joseph, Program Manager, P/D
BISHIRJIAN, Richard, former Associate Director Designate, E
BISSELL, Richard, Chief P/R, former Director, P/D

BUI-GRIFFIN, My-Chau, former Program Development Officer, P/D
BURNETT, Stanton, PAO USNATO

CATHERMAN, Terrence, PAO Paris
CHATTEN, Robert, PAO Mexico City
CHIKES, Csaba, PAO Budapest
COHEN, Richard, Special Assistant to former Agency Director John Rinehardt
COURTNEY, Charles, Director, EU

DEERFIELD, Eddie, PAO Lagos
DUPREE, Sarah, Program Development Officer, P/D

EARLE, Robert, Executive Assistant to the Director of the Agency
EMMERT, Frederick, former Program Development Officer, P/D
EVERSON, Mark, Special Assistant to the Director of the Agency and Assistant Director for Management Policy and Coordination

FENHAGEN, Weston, PAO Kinshasa

GAWRONSKI, Mary, Program Manager, P/D
GRAY, Jack, Executive Officer, Mexico City

HACKETT, James T., former Associate Director, M
HAIG, Barbara, Special Assistant to the Deputy Director of the Agency
HARVEY, Thomas, General Counsel
HEDGES, John, former Counselor of the Agency
HOEHNDORF, Will, Program Development Officer, P/D
HUGHES, Harry, Program Manager, P/D
HUGHES, John, Assistant Secretary of State for Public Affairs, former Assoociate Director P

JEWEL, Linda, Program Officer, Mexico City

KAGAN, Robert, Special Assistant to the Deputy Director of the Agency
KALLAS, Gerald, Special Assistant to the Director of the Agency
KELMAN, James, Program Development Officer, P/D
KIERNAN, Robert, former Staff Assistant to the Associate Director, P
KING, Alan, Program Development Officer, P/D
KING, Duane, Program Development Officer, P/D
KNECHT, Fred, Staff Assistant for the Deputy Associate Director, P
KOMINISKY, Phyllis, former Director, PL
KOPP, Eugene, former Deputy Director of the Agency
KORDEK, John, Deputy Director, AR
KRAGIE, Scott, U.S. Attorney
KRECKE, David, former Program Development Officer, P/D

LEE, Maurice, PAO Tel Aviv
LEFKOW, Leonard, PAO Nairobi
LE MAISTRE, Alice, former Program Development Officer, P/D
LENKOWSKY, Leslie, Deputy Director-designate of the Agency
LENDERKING, William, former PAO Lima
LOUIS, Marshall, Program Development Officer, P/D
LOWENKRON, Barry, former Program Development Officer, P/D
LOWERY, William, Program Manager, P/D
LWIN, Than, Program Development Officer, P/D

MALONE, Gifford, Acting Associate Director, P
MARCY, Mildred, Senior Advisor to the Associate Director, E
MCAFEE, Marilyn, PAO Caracas
MCCRAY, Jean, Secretary to the Acting Associate Director, P
MOORE, Barbara, Special Assistant to the Associate Director, P
MOSHER, John, Director, P/D

NEVINS, Jane, former Director, Office of Audience Reactions, B/R
NEVITT, Robert, Director EA

O'CONNELL, Joseph, Office of Public Liaison
O'CONNOR, Thomas, PAO Helsinki
OBEE, Kent, Deputy Director, AF

PENNY, Edward, PAO Cairo
PETZING, Ross, Program Manager, P/D
PINAULT, Noel, former Program Development Officer, P/D
PISTOR, Michael, PAO New Delhi
PLOTKIN, Larry, Program Manager, P/D
PRESIDENT, Samuel, Assistant Program Coordinator, P/D

RAVER, Dennis, Program Coordinator, P/D
RICHARDS, Diana, Program Development Officer, P/D
RICHARDSON, Lucille, Former Secretary to the Associate Director, P
ROBINSON, Gilbert, former Deputy Director of the Agency
ROCKWEILER, Robert, Deputy Director, P/D
ROTUNDO, Vincent, Program Development Officer, P/D
RUBINSTEIN, Stanley, Program Development Officer, P/D

SANDER, Thomas, Program Development Officer, P/D
SCHAFER, Tim, Program Development Officer, P/D
SCHNEIDER, Michael, Chief Policy Unit, P/G
SCHNEIDMAN, Harold, former Associate Director for Programs
SCHULICK, Edward, Deputy Director E/V, former Director, P/D
SCHWARTZ, Andrew, Program Development Officer, P/D
SEATON, Pamela, Program Development Officer, P/D
SEBSOW, Helen, Program Development Officer, P/D
SHANNON, Sally, Secretary, Deputy Associate Director, M
SHAPIRO, Paul, former Program Development Officer, P/D
SHIRLEY, John, former Counselor of the Agency
SIEGEL, Judy, Program Development Specialist, E
SIEMIEN, Patricia, Special Assistant to the Director of the Agency
SILVERMAN, Jonathan, Program Development Officer, P/D
SLOAT, Jonathan, former General Counsel
SNYDER, Mary Ann, Secretary to the Associate Director, M
SWAN, Richard, Assistant General Counsel

TAYLOR, Louise, Country Affairs Officer, EU
THOMPSON, W. Scott, former Associate Director, P
THURBER, James, Director NEA
TOMLINSON, Kenneth, Associate Director, B
TROWBRIDGE, Ronald, Associate Director, E
TUCH, Hans, PAO Bonn

VALLIMARESCU, Serban, PAO Buenos Aires
VILLARREAL, Marti, Program Development Officer, P/D

WICK, Charles Z., Director of the Agency

YASHAROFF, Norbert, Program Development Officer, P/D

QUESTION

The Foreign Relations Committee report also indicates that USIA General Counsel, Thomas Harvey, ordered that documents pertaining to the Blacklist be destroyed. Apparently, these documents identified who suggested persons to be blacklisted and why.

ANSWER

The matter of destruction of copies of the blacklist is under review by the Public Integrity Section of the Civil Division of the Department of Justice. The matter was referred to them by the Agency's Deputy General Counsel on March 14, 1984. As of April 13, the matter is still under review.

QUESTION:

You indicate the hope that Radio Marti will be on the air within the next six months. Does this indicate that establishment of this service will take longer than expected? If so, is it now possible to absorb the $100,000 requested for increased pay costs?

ANSWER:

We still expect to be able to go on the air later this spring, but recruiting the most reliable and knowledgeable broadcasters, writers and researchers is a lengthy process. The necessary security precautions constrain the speed at which we can bring staff on board. Nevertheless, efforts to put the Radio Marti Program on the air are steadily progressing.

Because of the savings realized by this delay, we will be able to absorb the additional $100,000 requested for pay costs.

QUESTION:

How many of the 174 positions funded for Fiscal 1984 have now been hired? What are the plans for recruiting those still unfilled?

ANSWER:

Positions funded for 1984 total 178. As of March 30, 1984, a total of 46 people were in various stages of the security process. We believe that these people will clear security by mid-April and that they will be able to begin duty by late April. There are now ten positions filled and two more expected to be filled during the first weeks of April. Additionally, the Security Office has cleared five people, and we are arranging reporting dates. We are awaiting security documents from an additional 20 people. When these have been received, the security process on them will begin. We expect to fill the remainder of the 178 positions between now and the end of FY-84.

QUESTION:

What arrangements are being made for an opening ceremony for Radio Marti and how much is budgeted for the ceremony?

ANSWER:

There are no plans or budget for an opening ceremony for the Radio Marti Program.

QUESTION:

In 1980 the Mariel boat-lift brought many Cubans to Florida and the Nation. This infusion of refugees has considerably strained the services provided by many of our communities. Are the broadcasts to Cuba likely to inspire further Cuban migration to the United States?

ANSWER:

It is neither the purpose nor the intention of the Radio Marti Program to inspire emigration. The purpose of the Program is to provide news and information about events in Cuba for the Cuban people.

QUESTION:

Does the lack of a request for funds to compensate American broadcasters harmed by Cuban retaliatory broadcasts indicate that the Administration has negotiated an agreement with Castro that there will be no such broadcasts from Cuba? If that is not the reason, why is there no request for the compensation payments authorized by the Radio Broadcasting to Cuba Act?

ANSWER:

It is government policy not to request appropriations for compensation until there is demonstrated proof that damage has occurred. OMB took the position that there would be no appropriations request for compensation for domestic broadcasters affected by Cuban jamming. If in FY-84 or 85 the FCC, which is charged with administering the part of the legislation regarding compensation, determines that the level of jamming merits compensation, a supplemental appropriation request will be made.

SUPPORT OF VOA BUDGET

I have received many letters in support of the VOA budget request for fiscal year 1985. In addition to their overall support, some of the individuals and groups have singled out specific concerns. I would appreciate your responses regarding the following items.

QUESTION:

Why is it that none of our broadcasts to the USSR are in the Byelorussian language? According to my information, there are over 1,000,000 American citizens who have relatives among 25 percent of Byelorussia's 10,000,000 people. Isn't this a natural audience to channel America's message to a strategically important area of the USSR?

ANSWER:

The Voice of America is fully cognizant of the need to expand our broadcasts to the USSR. At present, however, we lack the facilities to initiate new language services. Long-range planning includes start-ups in Byelorussian, Uighur, Turkmen, Kazakh and other national languages in the Soviet Union. If the Congress approves funds for VOA's long-range modernization plan, than we can proceed to negotiate for sites and construct the transmission facilities necessary to expand broadcasts along lines the question suggests.

PROGRAMMING TO POLAND

Various Polish groups have written in praise of the VOA and BIB Broadcasters to Poland, and how instrumental the broadcasts have been in keeping Solidarity alive. Your impact has been recognized by the Polish authorities who have considerably increased the jamming of your broadcasts. However, there is concern that the U.S. has not responded to overcome Soviet bloc jamming, and by not responding, we are sending a wrong signal to millions of people in eastern Europe.

QUESTION:

What is the level of programming to Poland in fiscal years 1984 and 1985?

ANSWER:

Seven hours daily, two hours in the morning and five in the evening. On special occasions, such as the awarding of the Nobel Peace Prize to Lech Walesa and visits of Pope John Paul II to Poland, the broadcast schedule is expanded. There are no plans to expand regularly-scheduled Polish language programming in FY '85.

IMPROVEMENTS TO POLISH PROGRAMMING

QUESTION:

What improvements are scheduled in our programming to Poland in fiscal 1985?

ANSWER:

VOA's Polish Service plans improvements in a number of areas. It will follow up its on-the-scene coverage of the winter and summer Olympics with expanded sports reportage as part of its programming for the youth of Poland. The twice-weekly Polish Service "English by Radio" lessons generate a surprisingly large percentage of the Service's mail. That program will continue to supply printed lessons to listeners who request these. Like other VOA services, the Polish broadcasts will concentrate increasingly on current affairs materials relating to the U.S. election. (A reporter from the Polish service recently joined others in covering the Georgia primary, and interviewing officials of both major political parties in Atlanta). During 1984, VOA Polish has regularly programmed a new centrally-produced half-hour, in-depth program on current issues entitled Focus. The program presents a variety of views on major events in the news. In addition to expanding this type of programming, VOA Polish will be increasing to twice or thrice weekly a feature program about life in America entitled All About America. That series of vignettes about Polish speaking Americans in many parts of the country is extremely popular, especially among younger members of the expanding VOA Polish audience.

VOA RESPONSE TO POLISH PROGRAM JAMMING

QUESTION:

What is the response of VOA to the comments that VOA is not responding adequately to the communist jamming of the broadcasts to Poland?

ANSWER:

The VOA modernization program provides the most appropriate technical response to such jamming. The worldwide radio system resulting from the modernization program will have the capability to respond rapidly and effectively to such jamming by virtue of increased transmitter power, antennas with optimized beam forming and directional capabilities, and automated monitoring capability. Increasing the number of transmitters capable of broadcasting into Poland will give VOA the capability of increasing the number of broadcast hours.

VOA has responded to this jamming in three ways. First the airtime of our Polish broadcasts was increased from two to seven hours in 1981. Second the number of shortwave transmitters was increased by two to as many as six in order to expand our presence on the air. Finally the unjammed Polish language broadcasts on the Munich medium wave transmitter were increased from 1.75 to 5.25 hours per day.

STATUS OF NEW POSITIONS

QUESTION:

Last year 107 new positions were requested and approved for the Voice of America. How many of these positions are now filled, and please detail the unfilled positions and the status of the recruitment efforts to fill them?

ANSWER:

For FY 1984 the Voice of America was authorized an additional 114 positions (7 for Program Direction and Administration, 19 for Engineering and Technical Operations, and 88 for Programming). Of these, 16 positions for language service programming were deferred to FY 1985 and are included in the current request. As of March, 1984 VOA has filled 13 of the remaining 98 positions which were actually received from last year's appropriation. An additional 6 selections are in the clearance pipeline, pending entry on board. VOA is confident that selections will have been made for all of these vacancies by the end of the fiscal year.

Delays in hiring are due to difficulties in obtaining security clearances for these highly sensitive positions, especially foreign broadcasters. In addition, many of these positions demand highly technical engineering skills or special language abilities; recruitment for quality personnel to fill such vacancies is a time-consuming process.

VOICE OF AMERICA

QUESTION:

How much were the 107 new positions lapsed for fiscal 1984?

ANSWER

In the 1984 budget VOA requested a total increase of 114 positions (107 for Program and Technical Operations and 7 for Program Direction and Administration). The 114 positions were lapsed 38% in that submission. In the 1985 budget, 16 of these positions were deferred until 1985 and the remaining 98 positions were lapsed 61.5% for 1984.

QUESTION:

Why are 32 additional positions for VOA requested as a built-in requirement for fiscal 1985?

ANSWER:

These positions are required to operate the relay stations being built in the Caribbean and Central America. The project to construct these stations was initiated in 1982 as a reprogramming request and was approved by the Congress. The positions and operating funds were therefore considered normal built-in requirements of a previously approved project.

QUESTION:

What lapse rate was used on the 109 new positions requested for 1985 and what will be required to annualize their costs in 1986?

ANSWER:

The lapse rate for the 109 new positions is 39.6%. The funds required to annualize their salaries in 1986 is $1,341,000.

PROGRAM ENHANCEMENTS

QUESTION:

The TV service has produced a video tape entitled "A Date With Democracy" with regard to last Sunday's election in El Salvador. Why wasn't the production of the film left to the Government of El Salvador?

ANSWER:

USIA's Television and Film Service produced A DATE WITH DEMOCRACY in response to a priority request from the Inter-Agency Central America Working Group for a videotape documentary on the evolution of the democratic process in El Salvador. There was a need to counter a widespread notion in Europe and elsewhere that the elections in El Salvador were rigged and controlled by the United States and that the democratic process in El Salvador did not represent the will of the Salvadoran people. Countering this notion and gaining international support for the democratic evolution of El Salvador are joint Salvadoran/U.S. foreign policy objectives.

No material was available from the Government of El Salvador and there was an urgent need overseas for a pre-election documentary demonstrating to foreign audiences that the election was part of a process underway in El Salvador leading towards a genuine full democracy. It is that process - not any particular candidate - which has obtained and warranted USG support. Through straightforward, objective news coverage of the election campaign of the six presidential candidates and their parties, A DATE WITH DEMOCRACY demonstrated the vitality and freedom of the election process and helped to allay international criticism that the election was undemocratic.

USIA's production focussed on the pre-election period, before the arrival of the international news media which, as we anticipated, gave substantial coverage to the actual election day events and results.

QUESTION:

It appeared that the U.S. and foreign news services gave adequate cover to the El Salvador Election. Why did USIA feel compelled to produce this film?

ANSWER:

The documentary, A DATE WITH DEMOCRACY, was an in-depth, thirty-minute examination of the election process in El Salvador. There was no extensive U.S. television network coverage of the issue. Rather, American television networks provided timely spot news (2-3 minute reports) coverage of the pre-election process in El Salvador on their national news broadcasts. Latin American broadcasters do not have access to most U.S. domestic news reporting, and the syndicated foreign news feeds (UPITN or VISNEWS) only contained short timely reports. No foreign news reporting on the El Salvadoran pre-election process gave the kind of in-depth coverage as our documentary. A DATE WITH DEMOCRACY followed the tradition set by certain other Agency productions (e.g. "Afghanistan: The Hidden War" and "Frozen in Amber"). With regard to this specific production, there was a need to counter a widespread notion in Europe and elsewhere that the elections in El Salvador were rigged and controlled by the United States and that the democratic process in El Salvador did not represent the will of the Salvadoran people.

QUESTION:

How much did the documentary on the El Salvador election cost?

ANSWER:

The documentary on El Salvador elections, A DATE WITH DEMOCRACY, cost $11,839.20 to produce. This includes travel, translators, contracting of crews in El Salvador, and outside sound mixing of the final program.

QUESTION:

How much air time did the El Salvador documentary receive and what was the estimated number of viewers?

ANSWER:

Reports cabled from our overseas posts to date indicate that over 50 million television viewers in Latin America saw the El Salvador documentary, March 25: A DATE WITH DEMOCRACY, either in its entirety or as excerpts broadcast on major news programs.

Some examples:

Guatemala: Guatemala TV Channel 7 broadcast the satellite feed of the program "live" March 19, and re-aired it during the prime time, late evening slot. A 10-minute excerpt was broadcast by "Aqui El Mundo" during its noon TV newscast of March 20 (estimated audience 2 million.)

Venezuela: All three major national networks have shown it. We estimate that 7 million Venezuelans viewed the program. Sixteen minutes of it was used on the noon March 20 newscast of Channel 2, Radio Caracas Television (estimated viewership 1.5 million.) Channel 4 (Venevision) used 10 minutes on its March 19 evening newscast, repeating the same on its March 20 morning and noon news programs (estimated viewership 4 million.) Channel 8 (government-owned station) produced a Friday night, March 23, special on the elections incorporating 10 minutes of "A Date With Democracy." The program was part of the Channel's "Perspectiva" series with its international affairs analyst, Miguel Schapira (estimated viewership 1.5 million.)

Brazil: San Paulo-based Bandeirantes TV Network (22 stations, estimated audience 6 million) carried a 3-minute excerpt on their prime newscast of Saturday, March 24. Rio's TV Manchete used 10 minutes of excerpts on a prime time newscast seen by an estimated 10 million viewers.

Mexico: "24 Horas," the widely respected and viewed news program of Televisa, Mexico's national commercial network, used five-minutes of the program video on its Wednesday, March 21 evening program. One of "24 Horas" reporters in El Salvador provided the commentary on the elections after a brief introduction by the principal news reader and director of the news program. (Estimated audience throughout Mexico was 14 million viewers.) Also, Channel 13 showed five minutes of the documentary on its Monday, March 19 evening news program "Siete Dias."

Chile: All three networks took the feed. National Television Network (Channel 7) used four minutes during the main evening newscast March 19. University of Chile's Channel 11 used two minutes in the international news segment of its main evening newscast March 19. Channel 13 saved the visuals for use Friday night. Total number of viewers was estimated at 4 million.

Peru: Excerpts were placed in prime time (estimated audience: 2 million.)

Uruguay: Excerpts used in the evening news (estimated viewers: 2 million.)

Costa Rica: Channel 13 in San Jose ran the program live via satellite on Monday, March 19. Channels 2, 6 and 7 produced four-to-five minute segments of the program on Tuesday, March 20, on afternoon and evening news programs. The documentary was re-broadcast in its entirety on Channel 13 on March 25, in conjunction with material from our WORLDNET program with Reich and Scammon on the Salvadoran elections.

Honduras: The national TV station recorded the satellite transmission of the documentary and re-broadcast it in its entirety Wednesday, March 21, to an estimated prime-time audience of 500,000 viewers.

Ecuador: The program was used twice on Channel 13 for audiences estimated at 350,000, and the entire program was screened on Guyaquil's Channel 10 for some 500,000 viewers.

QUESTION:

Please provide a list of each of the documentaries produced in fiscal 1983 and 1984 to date, with details of their cost, number of showings, and estimated audience.

ANSWER:

USIA produces documentaries in response to requests from Posts or other operating elements for materials not available from private producers. Prior to initiating a documentary, the Agency conducts a thorough search and review of previously produced material available in the private sector, and only begins production when no appropriate material is found.

This policy, instituted within the last two years, has led to a reduction in the number of Agency-produced documentaries and a much more sharply focussed approach to individual programs.

The following is a list of documentaries produced in Fiscal Years 1983 and 1984 with cost information. We will provide information on number of showings and estimated audiences at a later date.

DOCUMENTARIES PRODUCED IN FY 1983

Program Title	Total Costs
International Youth Exchange Canada, France, Italy, Federal Republic of Germany, United Kingdom and Japan	15,378
UN Security Council 6 Sep 83 - Downing of Korean Airliner	44,447
Visit of President of El Salvador Wrap-up VCR	1,808
Vice President George Bush's Trip to Europe	9,827
America Welcomes President Soeharto	7,618
Thanksgiving in Peshawar	29,978
President Kenneth Kaunda of Zambia Visits the U.S.	5,716
No Longer Strangers	42,360
Visit of President Diouf of Senegal	851
A Journey for Democracy and Peace	11,748
Afghanistan: The Hidden War	37,453
Country Roads and City Pavements with Roland Freeman	4,980
Solidarnosc	57,975
Human Rights: The Universal Struggle	14,832
Partnership for Peace: The U.S. Pacific Command	28,966
A Commentary on Peace	5,995
A Broken Promise	55,795
The U.S. Central Command	28,053
Simple Truths	8,010
These Festivals of Summer	6,943
New American Paperworks	2,457
Frozen in Amber	20,572
TOTAL:	$441,762

DOCUMENTARIES PRODUCED IN FY 1983 - CONT'D

FY 1984 (10/1/83 - 3/23/84)

Program Title	Total Costs
Grenada: Return to Freedom	6,356
Cuba: 25 Years of Fidel Castro .	5,482
Caribbean Basin Initiative	20,409
King Birendra of Nepal Visits to U.S.	7,184
Prime Minister Mugabe Visits the U.S.	1,330
Official Visit of President of Sudan	1,959
Glimpses of the USA	1,158
March 25, 1984 - A Date With Democracy	11,839
Profile of a President	3,982
U.S. Economic Assistance to Africa	7,393
TOTAL:	$67,092

QUESTION:

What additional documentaries are planned for fiscal 1984 and 1985?

ANSWER:

USIA produces documentaries at the request of other operating units such as our posts and Area Offices, and only after making an exhaustive search of material available from the private sector. At this point, based on requests in hand, we can detail the following:

1. Micronesia Political Status - A documentary which is now in the final stages of production and will appear in April;

2. Chinese Students Studying in the U.S. - A documentary that will appear in mid April at the requests of our Beijing post;

3. Los Angeles: The 1984 Olympic City - A documentary requested by various posts on the subject of 1984 Summer Olympics to be finished in mid April.

4. Peace: the Atlantic Promise - A combination of documentaries and live interactive programs, observing the 35th anniversary of the signing of the NATO Alliance;

5. Documentary Profiles of the principal Presidential candidates, which will be prepared once the two major parties have chosen their candidates.

QUESTION:

The 1985 request includes 2 new positions to establish a Bureau of International Marketing in Hong Kong. What is the role of this office? Do you presently have such offices located elsewhere, and if so, where, and how much of USIA's personnel and financial resources are now used for such offices?

ANSWER:

Hong Kong is the TV capital of the East Asian region. The skilled TV marketing personnel working in our Hong Kong office will maintain permanent contact with local key broadcasters, cable operators, exhibitors, etc., arranging screenings of new Agency products, and promote cooperative TV projects through individual contacts and at meetings and expositions.

Intimately aware of current products, and using proven professional marketing techniques, the staff of this regional office will be able to assist USIS

Posts in the Asia Pacific region in their ongoing efforts to get mass media exposure for Agency products.

The TV Service plan for FY '84 included $204,890 for a similar London office staffed by two Foreign Service Officers and one foreign national employee. However, in November 1983, in order to get into operation as quickly as possible, a free-lance consultant who was already familiar with the territory and who had an existing base of operations was engaged. One of the above mentioned FS slots is therefore encumbered; the other two are open. Because his contract calls for only part-time service, it stipulates that his payment not exceed $21,000 within the period of one year covered by the contract.

QUESTION:

Why can't the marketing activities be accomplished by the Public Affairs Officers assigned to the embassies?

ANSWER:

International TV marketing is a highly competitive and specialized field. Foreign Service Officers, our primary exponents of U.S. foreign policy in the field, should not be tasked with this function, one in which they are not trained. International marketing offices, staffed by specialists specifically charged with marketing our products and services in the field, follow through with foreign broadcasters as professional colleagues and keep up with this technical, demanding and constantly changing industry.

QUESTION:

Why is USIA requesting a supplemental appropriation of $5,517,000 for increased pay costs if it has $21,351,000 available for reprogramming?

ANSWER:

The major resource shifts we requested in reprogramming would enable us to accommodate the appropriation cut of $13.5 million entailed in the enactment of the 1984 appropriation and to reprogram $7.9 million to cover priority program needs. Specifically, we plan to expand WORLDNET, a new state-of-the-art television network which links U.S. newsmakers with foreign correspondents and opinion makers through satellite hookups with more than 40 U. S. embassies around the world; to enhance library programs overseas, student support services, and the Audit Staff as stipulated in P. L. 98-164; to augment Overseas Mission activities in Central America, Mozambique, Morocco, and Southeast Asia; to increase new hires for the Junior Officer Training Program to enable the Agency to fill existing and projected Foreign Service Officer vacancies; to provide funds for media coverage of the Olympics and the U. S. elections; to establish a Current Issues grant program in the Bureau of Programs to facilitate international meetings on policy-related contemporary issues and foster communication and cooperative projects on current international issues by counterpart U. S. and foreign organizations; and to cover added domestic space costs mainly for the Voice of America.

In addition to these items, we identified additional requirements in our December 14, 1984 letter to the Office of Management and Budget which were not funded.

Because of these urgent programmatic needs, we requested and OMB approved our request to seek a supplemental for all pay costs.

QUESTION:

According to the reprogramming letter of March 2, 1984, we are saving money by deferring staff enhancements and then using the savings to add Junior

FSO's and to cover higher rates of employment. Please be a little more specific as we can't determine what this really means.

ANSWER:

The deferred staff enhancements to which you refer were not the result of planned Agency actions to achieve savings. Rather, they represent delays in filling authorized positions, especially in the Voice of America.

These delays are due to difficulties in obtaining security clearances for these highly sensitive positions, especially foreign broadcasters. In addition, many of these positions demand technical engineering skills or special language abilities; recruitment of quality personnel for these vacancies is a time-consuming process.

Increases in the Junior Officer Trainee (JOT) program are vitally needed to replace Foreign Service Officers who leave the service due to retirement or other reasons. These officers will fill existing and projected Foreign Service Officer vacancies, and will help ensure the continuity of our Foreign Service Officer pipeline.

Finally, the higher than average employment to which you refer does not apply to either of the above areas. Rather, it is occurring among foreign national employees and American employees abroad, and is the result of a lower-than-forecast lapse rate for these positions, coupled with higher-than expected salary levels.

COVERAGE OF PRESIDENTIAL ELECTIONS AND OLYMPIC GAMES

QUESTION:

We have been holding Presidential elections in the United States every 4 years since 1789. Similarily, the modern Olympic games have occurred quite regularly since the late 1800's. Why then, if VOA coverage of these events is so important, were they not included in the original 1984 requests?

ANSWER:

A large portion of the costs of covering the presidential elections and the Olympic games is being funded out of our base program. However, as VOA's plans for coverage of these events were refined and as negotiations progressed with various organizations for rental, leasing and purchase of sophisticated broadcasting facilities and equipment, it became apparent that costs for proper coverage of these events would run higher than originally anticipated.

OVERSEAS PERSONNEL

QUESTION:

Since 1967, USIA's overseas personnel have declined from 7,551 to the 3,975 projected for 1985. As the chart on page 19 of the Program and Budget in Brief displays, this has been a gradual erosion.

1. The termination of our activities in Viet Nam probably was a major contributing factor to this reduction of approximately 50%, but what other changes brought about this decrease in USIA's overseas personnel?

ANSWER:

USIA employment levels in Vietnam in 1967 included 104 American and 360 foreign national employees. Thus, termination of our activities there accounted for 464 of the total decline of 3,576, not the major component of decline in overseas employment. Rather, the bulk of these decreases occurred because of a general decline in programmatic activity, as measured in constant dollars, from 1967 until now. In addition, several

Administrations have made overseas employment a specific target of personnel reductions.

QUESTION:

USIA now operates 209 posts in 127 countries. What were the similar number in 1967?

ANSWER:

In 1967, USIA operated 230 posts in 112 countries.

QUESTION:

In the fiscal 1984 Appropriation bill we provided $18,000,000 for the National Endowment for Democracy. Briefly, how is the organization of the Endowment coming along?

ANSWER:

The grant agreement between USIA and NED transferring the appropriated $18,000,000 to the NED was executed on March 19, 1984. $90,000 covering the period December 1, 1983 through March 31, 1984 was advanced in a Letter Contract with NED. Those funds were allocated for general administrative costs of the Endowment. The attached chronology summarizes the activities of the Endowment to date. No program funds have been disbursed. It is expected that the Endowment Board at its meeting on April 3 will allocate a substantial portion of the available funds. The Presidential Search Committee will at that time make its recommendations to the Board.

QUESTION:

A total appropriation of $31,300,000 was authorized for NED for fiscal 1984. The Senate took into account the delays in getting it underway, and approved $23,000,000. The Conference reduced the appropriation to $18,000,000, again in an overall manner in view of the anticipated organizational delays. Have all the 4 sub-endowments received funds in fiscal 1984 proportionate to their portion of the original $31,300,000 request? If not, why not?

ANSWER:

Levels of funding to the four institutes of the Endowment are subject to Board approval. It is expected that the Endowment Board at its meeting on April 3 will allocate a substantial portion of the $18 million to those four institutes. Because the grant agreement transferring the appropriated funds to the Endowment was only executed March 19, 1984, no program funds to date have been disbursed.

QUESTION:

Please list any additional sources of funds, both federal and non-federal, that the 4 sub-endowments anticipate receiving in fiscal years 1984 and 1985.

ANSWER:

To the best of our knowledge, the four institutes of the Endowment do not anticipate funding sources other than from the NED.

PRIVATE SECTOR PROGRAMS

QUESTION:

For Fiscal 1984, Congress provided $7,100,000 for the Private Sector Programs within the non-appropriation for Educational and Cultural Exchange Programs. Why does the 1985 Budget delete the specific appropriation for Private Sector Programs?

ANSWER:

The Agency conducts a variety of activities that are funded under the "Educational and Cultural Exchange Programs" appropriation: Fulbright (and other comparable academic exchange programs), International Visitor, Humphrey Fellowship, the new Congress-Bundestag, and various Private Sector Exchange Programs. These valuable people-to-people programs are designed to foster a long-term understanding of the United States.

In general, the funding plans and proposals for each of these programs can be established well in advance. However, changes do occur in program priorities, area emphases and in the capabilities of outside, cooperating organizations. In order to respond quickly and responsibly to such changes, internal funding flexibility is essential. This is especially true for the Private Sector Programs. A large variety of qualified, private sector cultural groups are working in the exchange-of-persons field. USIA supports the work of many of these organizations. In FY 1984, given the continuing funding needs of a number of well-established organizations and their programs (e.g., Operation Crossroads Africa, National Committee on U.S.-China Relations, etc.), our capabilities are very limited within the $7.1 million level.

QUESTION:

What is the major programming of the $7,100,000 appropriated for Fiscal Year 1984 for these programs?

ANSWER:

The program plans of the Office of Private Sector Programs for Fiscal Year 1984 comprise three major programming areas. The first represents grants to organizations that conduct traditional, on-going educational and cultural exchange programs. The second area is for discretionary grants to organizations which conduct programs which further the mission of the Agency through exchange of persons activities both in the U.S. and overseas. The third area provides funds for escort/interpreters for both the traditional and discretionary grant programs. Estimated funding is:

Traditional programs (e.g. Operation Crossroads Africa, U.S. Youth Council)..	$4,364,497
Discretionary grants (e.g., Atlantic Council, Center for Strategic and International Studies, International Management and Development Institute, American Association for International Commission of Jurists.)......................	2,335,503
Escort/interpreter expenses	400,000
TOTAL	7,100,000

QUESTION:

Specifically what constitutes the $359,405 in "Mandatory Cost Increases" for these programs?

ANSWER:

The "mandatory cost increases" are increases resulting from an anticipated

4.9% rise in costs for programs funded through the Office of Private Sector Programs. Only $347,900 of this amount represents additional appropriation funding; the remaining $11,505 is an increase in reimbursements from other agencies for Private Sector. The additional funding will allow the Agency to maintain the FY 1984 level of Private Sector programming in Fiscal Year 1985.

NEW USIA HEADQUARTERS

QUESTION:

The Cleveland Plain Dealer, in an editorial dated January 12, 1984, pointed out that while the new USIA Headquarters building "has no employees' cafeteria, it has a special kitchen for Wick."

1. How many USIA personnel work in the new Headquarters Building?

2. Do the employees "Brown-Bag" it or how are they expected to get their lunch?

ANSWER:

There is no special kitchen within the USIA Building for the Director or any other senior official of the Agency. In accordance with the Federal Property Management Regulation (FPMR) an Agency kitchen with storage area has been provided. This kitchen and the adjacent multi-purpose room are used for official representation purposes.

1. 1,897 USIA personnel work in the new Headquarters Building.

2. The employees may "brown-bag" their lunch or they may purchase lunch at a variety of restaurants, cafeterias and sandwich shops located near the USIA Headquarters Building. Two such facilities are conveniently located on the ground floor of the USIA Building.

QUESTIONS SUBMITTED BY SENATOR DECONCINI

Legality of Taping

QUESTION:

Explain the circumstances surrounding the first notice you received regarding the legalities of your telephone conversation taping.

Is there any truth to the allegation that a warning was given to you almost one year prior to the revelation that you were recording your phone conversations?

If so, what was the nature of this warning, i.e., who alterted you, under what circumstances?

ANSWER:

In December of 1981, my General Counsel addressed the issues of transcribing telephone conversations and, in a memo to me, noted that to do so without the consent of all parties would be a violation of a General Services Administration regulation. This regulation contains no sanctions and was considered, even by GSA, to be a "preferred management practice."

The matter of the taping of conversations has been investigated by both the Senate Foreign Relations Committee and House Foreign Affairs Committee. My own personal feelings regarding this matter were set forth in detail in a statement I released on January 9, 1984. The House Foreign Affairs Committee report notes, at page 3, that the material provided to the Committee "does not reveal any abuse of the Director's official position for political or personal gain, nor does it contain any statements which would compromise the integrity of the Agency." The Senate report notes at page XII of the Executive Summary and again at page 15 that there is no creditable evidence indicating that Mr. Wick tape recorded telephone conversations for the purpose of committing any criminal or tortious act." The report further notes that "it has been uniformly reported to the committee staff that Mr. Wick's purposes in making such recordings and instructing his secretaries to take notes of his telephone conversations were related to legitimate USIA functions."

QUESTION:

Is the grant policy and procedure for USIA implemented in accordance with the requirements of section 214 of the USIA authorization act of fiscal years 1984 and 1985, particularly the notification of reprogramming and the notice requirements to the Congressional committees?

ANSWER:

Yes, policies and procedures are so implemented.

QUESTION:

What problems in particular did you encounter with the editorial and management practices of VOA that preceded the public resignations of VOA administrators?

ANSWER:

The VOA is a large, diverse and complicated organization. As such it has its share of management challenges. This is particularly so as VOA management, under this administration, has made a concerted effort to improve VOA programming in quality and content. At the same time, management has worked hard toward strengthening the Voice's signal through VOA's comprehensive modernization plan, so our programming will be able to be heard clearly around the world. With regard to VOA administrators, during this Administration there have been three directors of the Voice of America. James Conkling resigned for personal reasons after somewhat over a year in office. John Hughes resigned the position after several months to assume the position of Assistant Secretary of State for Public Affairs. And, Ken Tomlinson, the current Director of VOA, has been in that capacity for the past 18 months.

Under all these directors, the basis of VOA editorial and management rests on the Congressional Charter under which the VOA operates. The Charter clearly states VOA's mission. (attached) We believe this mandate of the Charter is being scrupulously fulfilled. VOA news is "accurate, objective and comprehensive." We "present a balanced and comprehensive projection of American thought and institutions" and we "present the policies of the United States clearly and effectively."

The policies of the United States are presented through daily editorials labelled as "reflecting the views of the U.S. Government." They are prepared by the VOA Office of Policy. The editorials are purposefully divorced from the VOA's news operations. Editorial opinion has no place in the news product or in the other programs produced by the Voice.

QUESTION:

Disregarding the presence of an alleged blacklist, do you as Director of USIA find it in the best interests for USIA to have persons such as James R. Schlesinger sponsored as a spokesperson reflecting a positive United States image to other countries?

And if so, why were these people never recruited in this capacity?

ANSWER:

As a matter of fact, we did make some invitations to ranking officials of the previous administration to participate in the speakers program. William Usery, the former Secretary of Labor, accepted an invitation to speak in Brazil last October. He had to cancel his plans at the last minute and recommended William P. Hobgood, the former deputy Secretary of Labor. The post averred that Hobgood represented the U.S. superbly. I only wish more high ranking officials would be available for programming. More often than not, they simply aren't available to travel for a two-week program. With our new capability for electronic programming of speakers from Washington, we expect to prevail on more authoritative speakers of cabinet level rank from earlier administrations as well as the current administration.

VOA Charter

The long-range interests of the United States are served by communicating directly with the people of the world by radio. To be effective, the Voice of America (the Broadcasting Service of the United States Information Agency) must win the attention and respect of listeners. These principles will therefore govern Voice of America (VOA) broadcasts:

"(1) VOA will serve as a consistently reliable and authoritative source of news. VOA news will be accurate, objective, and comprehensive.

"(2) VOA will represent America, not any single segment of American society, and will therefore present a balanced and comprehensive projection of significant American thought and institutions.

"(3) VOA will present the policies of the United States clearly and effectively, and will also present responsible discussion and opinion on these policies.'

Public Law 94-350
Sponsored by: Charles H. Percy (R.) Illinois
Bella S. Abzug (D.) New York

Gerald R. Ford
President of the United States
Signed July 12, 1976

Mr. Schlesinger would be welcome to speak to USIA abroad. Please see the attached list of more than 600 individuals who spoke for us last year. They are diverse, well-balanced, and expert.

QUESTION:

Explain the marked increase in the number of political and career employee appointments in the USIA under your administration.

What does your program accomplish with this greater number of appointees, that prior programs were unable to accomplish with their minimal appointments?

ANSWER:

To carry out their missions most effectively, Presidential Appointees have selected as personal assistants and major element heads individuals who share their goals and with whom they work most effectively. During previous Administrations this has been true to varying extents, depending on programmatic and managerial priorities. This Administration has drawn a greater number of individuals from the private sector in order to implement a number of new initiatives, to support the overall mission of the Agency. (See attached list of initiatives since June 9, 1981.) To carry out these initiatives, well qualified individuals were recruited from industry and government for non-career appointments to bring to the Agency specific attributes and experience to help launch these new initiatives.

Examples of these new initiatives include the following: Worldnet, the state-of-the-art television network through satellites linking with U.S. embassies abroad; the Satellite File, USIA's weekly syndicated half-hour TV news feed; "Film Facts USA," providing information required by foreign TV and film producers; conversion of videotapes for use by overseas posts; Tracking and Data Relay Satellite System, in which USIA has taken the lead in working with the Departments of State and Defense in developing a system of broadcasting of TV programs for selected embassies; the modernization and expansion of the Voice of America, including a $1.2 billion program involving the upgrading of present relay stations and construction of new stations and transmitter facilities; computer-to-computer automation of the daily Wireless File to a growing number of embassy posts; the Artistic Ambassador Program under which gifted American musicians are sent on solo tours abroad; the President's International Youth Exchange Initiatives under which Youth Exchange will be increased by 15,000 during the next three years with $4 million pledged and $2,336,000 already received in private sector contributions; the U.S.-German Tricentennial Commission and Friendship Garden, with $493,000 received from private sector donations; an increased Educational Exchange Budget of $100 million in 1984 covering Fulbright, International Visitors, Hubert Humphrey Fellowship and private sector programs; the University Affiliation Program providing for exchanges of faculty between U.S. and foreign colleges; the documentation of the Korean Airline incident; the Radio Marti Program; and the establishment of the Private Sector Committees.

FY-1983 Amparts

NAME	DATE	ELEMENT	AREA	GRANT	PAGE 1)	INDIRECT	DSA	SFC
Daniel Aaron	10/2 - 10/22/83	P/DC	EA/WE	306-0901	1-6/84	3,540.00	2,302.00	
Allen Abrahams	4/29 - 5/15	P/DE	AF	306-0542	18-1	3,570.00	1,584.00	
Genevieve Acker	2/21 - 2/25	P/DP	AF	M-3-06-18	10-2	720.00	--	
J. Waldo Ackerman	7/8 - 7/24	P/DP	NEA	306-0719	19-4	426.00	--	
Gerard Adams	11/29	P/DE	EA	306-0218	6-2	25.00	177.00	
Gerard Adams	3/8 - 3/24	P/DE	AF	306-0239	11-3	4,529.00	1,843.00	
Bert Adams	7/18 - 8/19	P/DP	NEA/EA	306-0705	20-2	4,482.00	2,112.00	
Shauna Adix	10/8 - 11/11	P/DP	NEA/WE/EA	306-092[illegible]	2-3/84	3,662.00	2,328.00	
Anthony C. Albrecht	9/17 - 9/22	P/DE	EA	306-0810	24-2	2,216.00	428.00	
David Albright	3/11 - 3/20	P/DF	EA	306-0359	12-2	1,313.00	1,341.00	
Joe Alegado	5/22 - 6/4	P/DC	AR	306-0657		2,327.00	--	
Alexander R. Alexiev	11/11 - 12/7	P/DF	EA	306-0129	3-1	1,598.00	2,884.00	
Marvin Alisky	6/5 - 6/25	P/DP	AR	306-0627	17-5	2,388.00	1,936.00	
Peter F. Allgeier	11/6 - 11/17	P/DE	EA	306-0114	4-3	2,951.00	897.00	
Harvey Alter	11/27 - 12/7	P/DE	EA	306-0220	6-2	376.47	243.00	
David Amerine	4/27 - 5/3	P/DE	AF/WE	306-0440	14-2	2,292.00	369.00	
Charles Anderson	3/27 - 4/5	P/DC	EE/WE	M-3-06-45	22-3	750.00	--	
Stanley Anderson	8/11 - 8/26	P/DP	WE/NEA/AR	M-3-06-105		2,750.00	--	
Bonnie Angelo	1/29 - 2/1	P/DP	WE	M-3-06-35	8-2	684.00	--	
Bonnie Angelo	2/19 - 2/23	P/DP	WE	M-3-06-37	10-2	634.00	--	
Vernon Aspaturian	6/12 - 7/1	P/DP	WE	306-0599	19-1	2,560.00	1,039.00	
Louis Aucoin	5/2 - 5/5	P/DP	WE/NEA	M-3-06-102		528.00	--	
Louis Aucoin	3/29 - 4/13	P/DP	AF	M-3-06-16	12-4	3,120.00	--	
Edward S. Ayensu	6/12 - 6/17	P/DE	WE	306-0645	17-1	556.00	1,034.00	

1) Page refers to the departure list on which the Ampart is described in terms of his expertise, countries visited and similar details. The numbers preceeding the dash refer to the departure list number copies of which follow the listing in sequence by number. The number following the dash refers to the page numbers on the departure list where the Ampart can be found.

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
William H. Ayers	2/15 - 3/5	P/DP	EA	306-0334	10-3	4,705.00	1,190.00	
Norman Bailey	9/16 - 9/25	P/DE	EA	306-0815	24-3	3,051.00	604.00	
Marion Barell	9/18 - 9/20	P/DE	AR	306-0858	24-3	354.00	337.00	
Frank Barnett	12/8	P/DF	WE	306-0246		--	181.00	
Camille Barnett	10/31 - 11/10	P/DP	EA	306-0224	2-2	904.00	879.00	
Edward A. Beauchamp	3/6 - 3/12	P/DP	EA	306-0483	14-3	1,118.00	459.00	
Thomas Becker	7/27 - 8/9	P/DE	AR	306-0764	21-1	3,003.00	1,406.00	
Abraham Becker	6/12 - 6/21	P/DF	WE	306-0597	18-1	1,437.00	375.00	
Lee B. Becker	6/4 - 6/25	P/DP	WE/AF	306-0630	17-5	5,837.00	2,141.00	
William Be[illegible]	12/18 - 12/22	P/DC	NEA	M-3-06-4	6-2	650.00	--	
Bernard Bellush	11/4 - 11/7	P/DP	WE	306-0136	3-4	264.00	--	
Jewel Bellush	11/4 - 11/7	P/DP	WE	306-0137	3-4	264.00	--	
James T. Bennett	1/15 - 1/29	P/DE	WE	306-0257		2,239.00	1,404.00	
James T. Bennett	3/5 - 3/12	P/DE	EE	306-0392	12-3	509.00	358.00	
James T. Bennett	6/14 - 6/16	P/DE	WE	306-0616	17-1	542.00	131.00	
Elliot Berg	11/28 - 12/4	P/DE	WE/AF	306-0176	5-2	2,119.00	828.00	
Elliot Berg	2/26 - 3/5	P/DE	AF/WE	306-0358	11-4	2,794.00	1,155.00	
Elihu Bergmann	3/15 - 3/20	P/DE	AR	306-0393	20-2	449.28	602.28	
Camille Bernett	10/31 - 11/10/82	P/DP	EA	306-0112		1,405.00	1,060.00	
Jason Berry	2/25 - 3/30	P/DP	WE/AF	M-3-06-13	10-3	2,918.00	--	
John F. Bibby	6/1 - 6/17	P/DP	EA	306-0629	17-5	3,400.00	1,494.00	
Norman Bienbaum	12/4 - 12/18	P/DP	NEA/WE	306-0145	6-3	2,675.00	1,864.00	
Warren Bilkey	10/16 - 10/29	P/DE	AR	306-0111	2-2	1,249.00	2,113.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
James N. Birakos	10/29 - 11/7	P/DE	WE	306-0131	4-5	2,337.00	375.00	
Cyril Black	4/27 - 5/1	P/DF	WE	306-0520	15-3	1,392.00	468.00	
Cole Blasier	4/27 - 5/19	P/DF	AR	306-0457	14-1	4,042.00	2,488.00	
Barbara Blum	4/23 - 5/7	P/DP	EE	306-0519	14-3	2,484.00	1,385.00	
Davis B. Bobrow	11/3 - 3/26	P/DF	EA	306-0124	3-1/9-1	4,554.38	--	
Carol Bohmer	2/28 - 3/4	P/DP	WE/NEA	M-3-06-11	10-3	1,040.00	--	
Carol Bohmer	4/10 - 4/21	P/DP	WE/AF	M-3-06-21		2,623.00	--	
Daniel Bond	4/17 - 4/19 5/3 - 5/7	P/DE	EE/WE	306-0763	21-1	1,189.00	698.00	
Frederick Bonkovsky	1/28 - 2/6	P/DP	WE	306-0282		2,739.00	1,057.00	
Morris Bornstein	4/30 - 6/18	P/DE	EA	306-0489	15-5	684.00	1,803.00	
Ronald S. Boster	11/3 - 11/17	P/DE	EE	306-0194	5-2	2,412.00	564.00	
Charles Bradford	4/11 - 4/23	P/DE	WE	306-0521	14-2	1,718.00	832.00	
M. E. Bradford	1/15 - 1/29	P/DC	EE	306-0260		2,251.00	3,406.00	
Melvyn C. Branch	12/13 - 12/4/82	P/DF	NEA	M-3-06-54	7-3	485.00	--	
Vance De Voe Brand	4/9 - 4/19	P/DE	AR	306-0468	15-5	1,912.00	432.00	
Carl Bredahl	4/83	P/DC	NEA	M-3-06-64		993.00	--	
William R. Brown	3/21 - 3/25	P/DE	WE	306-0363	12-2	1,315.00	601.00	
William A. Brown	5/30 - 7/1	P/DF	EA	306-0650	17-1	2,734.00	1,496.00	
Ralph C. Bryant	8/12 - 8/14	P/DE	EA	306-0714		613.00	303.00	
Ralph C. Bryant	9/11 - 9/14	P/DE	EA	306-0715		200.00	582.00	
Dr. James Vincent Buck	11/7 - 11/19	P/DP	WE/EE	M-3-06-28	2-5	670.00	--	
Charles Bullock	2/23 - 2/26	P/DP	WE	306-0321	10-3	970.00	300.00	
Charles Bullock	3/15 - 4/10	P/DP	WE	306-0383	11-4	4,290.00	1,045.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Richard Burt	11/5 - 11/8	P/DE	WE	306-0160	4-3	405.00	210.00	
Richard E. Butt	7/8 - 8/7	P/DE	AF	306-0711	19-2	2,284.00	1,574.00	
Robert F. Byrnes	3/11 - 3/25	P/DF	WE	306-0372	11-1	527.00	1,428.00	
Burton Caine	7/83	P/DP	NEA	M-3-06-69		1,650.00	--	
Carlos Campbell	11/20 - 11/27	P/DE	WE	306-0161	4-2	258.20	291.00	
Rita Ricardo Campbell	3/20 - 4/6	P/DE	EA	306-0298	12-3	4,351.00	1,995.00	
Robert W. Campbell	3/11 - 3/25	P/DF	WE	306-0374	11-1	527.00	1,353.00	
Carlos Campbell	7/1 - 7/9	P/DE	AF	306-0623	19-2	1,636.00	1,989.00	
Mark Cannon	11/11 - 12/6	P/DP	EA	306-0147	8-4	4,317.00	861.00	
Beverly May Carl	4/7 - 5/28	P/DE	AR	306-0473	13-4/16-2	4,844.00	4,497.00	
Geoffrey Carliner	8/14 - 8/21	P/DE	WE	306-0897	1-4/84	121.00	--	
David Carliner	4/24 - 4/30	P/DP	EE/WE	306-0535	15-8	1,750.00	684.00	
Peter Cashman	5/10 - 5/15	P/DE	AF	306-0528	16-3	1,969.00	455.00	
Marian Chamberlain	5/21 - 6/4	P/DP	NEA/WE	306-0594	16-4	1,946.00	1,605.00	
Parris Chang	11/6 - 11/20	P/DF	EA/EE	306-0125	3-1	3,573.30	1,202.00	
Glenn Cella	4/26 - 5/1	P/DF	WE	306-0548	15-3	348.30	--	
Andrew J. Cherlin	5/15 - 6/2	P/DP	WE/EE	306-0550	15-7	3,700.00	1,370.00	
Diane Christian	6/1 - 6/22	P/DC	EE	306-0633	19-5	1,981.00	2,691.00	
Gregory Christainsen	3/10 - 3/28	P/DE	EA	306-0247	11-3	2,847.00	1,962.00	
Martha Church	3/6 - 3/22	P/DP	NEA	306-0368	11-4	3,181.00	1,218.00	
Paul Chutkow	1/6 - 1/24	P/DP	AF	M-3-06-3	7-3	2,737.00	--	
Terry N. Clark	6/2 - 6/17	P/DP	EA	306-0628	17-5	3,080.00	1,279.00	
Walter C. Clemens	12/82	P/DF	NEA	M-3-06-53		624.00	--	
Walter Clemens	7/8/83	P/DF	EA/NEA	M-3-06-61		3,503.00	--	
Michael Clough	4/5 - 4/20	P/DF	WE/EE	306-0365	15-3	2,868.00	668.00	
Michael Clough	8/28 - 9/24	P/DF	AF	306-0737	22-1	4,978.00	1,173.00	
Jacob Cohen	4/8 - 5/17	P/DE	WE	306-0439	13-4	3,032.00	2,240.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SPC
Hennig Cohen	8/13 - 9/9	P/DC	WE/NEA	306-0769		1,496.00	--	
Herman Cohen	4/25 - 5/9	P/DF	WE/AF	306-0455	15-3	3,071.00	1,005.00	
Evelyn Colbert	1/16 - 2/18	P/DF	EA	306-0217	7-1	2,002.00	1,730.00	
Lenora Cole-Alexander	2/20 - 2/23	P/DP	WE	306-0332	10-3	144.00	306.00	
Richard Combs	4/4 - 4/7	P/DF	AR	306-0471	13-1	525.00	136.00	
Melvin Conant	3/12 - 3/15	P/DE	WE	306-0388	16-3	643.00	289.00	
William Connolly	6/4 - 6/19	P/DE	AF	306-0312	17-2	2,344.00	1,819.00	
Charles M. Cook	4/2 - 4/20	P/DP	NEA	306-0456	13-2	4,332.00	2,456.00	
Miriam Cooke	4/24 - 6/8	P/DP	NEA	306-0509	15-8	5,929.00	3,985.00	
Doral Cooper	9/20 - 9/28	P/DE	EA	306-0873	1-4/84	2,667.00	585.00	
John F. Copper	7/19 - 7/22	P/DF	EA	306-0739	21-1	405.00	489.00	
Jose Ramon Cordero	9/24 - 10/1	P/DF	AR	306-0893	24-1	198.00	1,180.00	
William Courtney	9/23 - 9/28	P/DF	AR	306-0891	24-1	340.00	330.00	
John W. Coyle	5/8 - 5/21	P/DE	EA	306-0604	17-2	3,360.00	535.00	
Gary Crocker	10/2 - 10/5/83	P/DF	WE	306-0884		724.00	--	
Frank B. Crump	10/4 - 10/12/83	P/DF	EA	306-0876	1-1/84	1,359.00	585.00	
Robert Dallek	12/4 - 12/20	P/DP	EA	306-0191	6-3	1,078.00	--	
Alexander Dallin	6/4 - 6/23	P/DF	WE/EE	306-0640	19-1	2,796.30	2,226.00	
Donald Daniel	9/83	P/DF	NEA/WE	M-3-06-148		1,028.65	--	
Legree Daniels	1/3 - 1/18	P/DP	AF	306-0255		3,836.00	375.00	
Robert M. Davis	2/19 - 4/21	P/DC	WE/EE	306-0366	13-7	2,868.00	2,420.00	
Roger Davidson	3/4 - 4/2	P/DP	AF/WE	306-0326		3,987.00	3,279.00	
Roger H. Davidson	9/14 - 9/25	P/DP	AR	306-0812	23-3	479.00	2,248.00	
Christopher Davis	2/13 - 2/23	P/DE	WE/EE	M-3-06-39		695.00	--	
Jacquelyn K. Davis	4/30 - 5/15	P/DF	WE	306-0527	15-1	361.00	3[illegible].00	
Mimi W. Dawson	6/12 - 6/15	P/DE	WE	306-0658	17-2	1,037.00	190.00	
Douglas Day	4/23 - 5/14	P/DC	AR	306-0463	14-4	2,002.00	1,775.00	
J. Laurence Day	7/30 - 8/13	P/DP	AR	306-0759	21-2	2,405.00	1,151.00	
Vincent F. DeCain	3/24 - 3/25	P/DE	WE	306-0494	15-5	411.00	85.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Thomas R. De Gregori	9/18 - 9/28/83	P/DE	AR	306-0765		1,818.00	1,137.00	
Thomas De Grogori	7/18 - 8/18	P/DE	EA/NEA	306-0754		1,992.00	1,170.00	
Robert W. Dean	11/5 - 11/10	P/DF	WE	306-0156	4-1	832.00	294.00	
Robert Dean	4/25 - 4/28	P/DF	WE	306-0572		75.00	172.00	
Jonathan Dean	10/1 - 10/6	P/DF	WE	306-0887	1-1/84	1,778.00	--	
Midge Decter	11/6 - 11/28	P/DP	WE	306-0163	4-7	3,408.00	1,579.00	
Christopher Dede	5/4 - 5/26	P/DP	WE/EE	306-0396	15-[illegible]	2,700.00	2,716.00	
Frederick Denny	8/10 - 9/4	P/DP	NEA/EA	306-0779	21-2	7,139.00	1,323.00	
David B. H. Denoon	3/15 - 4/9	P/DF	FA	306-0235	11-1	3,765.10	2,468.00	
Franklin Chang-Diaz	6/4 - 6/18	P/DE	AR	306-061[illegible]	17-2	2,563.00	991.00	
Russell E. Dickenson	8/30 - 9/16	P/DE	WE/EE	306-0729	22-1	2,460.00	801.00	
Paula Dobriansky	11/27 - 12/12	P/DF	WE	306-0207	5-1	2,685.00	1,156.00	
William A. Douglas	3/5 - 3/19	P/DP	AR	306-0391	11-4	638.00	720.00	
Joseph Douglass	5/14 - 6/3	P/DF	WE	306-0549	15-1	2,466.00	1,905.00	
Edward Dreyer	10/11 - 10/15	P/DP	WE	M-3-06-27	2-3	650.00	--	
Tabor E. Dunman, Jr.	7/3 - 7/17	P/DP	AR	306-0718	21-2	3,015.00	838.00	
Robert Dunn	5/7 - 5/29	P/DE	AF/WE	306-0362	15-4	3,504.00	2,985.00	
Nicholas N. Eberstadt	4/23 - 5/20	P/DE	EA	306-0566	16-3	1,774.00	1,335.00	
Marsha Echols	4/23 - 4/28	P/DE	AF	306-0418	15-6	1,256.00	441.00	
Peter D. Ehrenhaft	2/28 - 3/19	P/DE	WE	306-0606	15-6	2,118.00	1,813.00	
Peter D. Ehrenhaft	6/12 - 7/3	P/DE	WE	306-0696	19-2	56.00	417.00	
Herman Eilts	4/28 - 5/1	P/DF	WE	306-0533	15-3	1,392.00	212.00	
Herman Eilts	8/24 - 9/7	P/DF	NEA	306-0853	1-1/84	2,020.00	2,037.00	
Maurice Eisenstein	11/29 - 12/20	P/DF	WE	306-0195	8-1	3,463.00	1,308.00	
Maurice Eisenstein	4/9 - 5/8	P/DF	WE/EE	306-0472	13-1	2,913.00	3,427.00	
Maurice Eisentein	10/1 - 10/5/83	P/DF	WE	306-0879	1-1/84	1,114.00	--	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Abdo Elkholy	1/3 - 1/14	P/DP	NEA	306-0232	7-3	636.00	525.00	
David F. Emery	8/20 - 9/5	P/DF	EA	306-0844	23-1	--	553.00	
Stephen J. Entin	11/4 - 11/7	P/DE	WE	306-0175	5-3	835.50	837.50	
John Esposito	3/6 - 3/17	P/DP	NEA	306-0384	11-4	2,369.00	1,831.00	
John Esposito	1/10 - 1/13	P/DP	NEA	306-0254	8-3	2,374.00	621.00	
Raymond Federman	2/20 - 2/27	P/DC	NEA	M-3-06-57	10-6	2,741.00	--	
Bruce E. Fein	6/14 - 6/23	P/DP	WE	306-0683	18-3	1,057.00	756.00	
Geza Feketekuty	10/19 - 10/20	P/DE	WE	306-0123	4-5	112.00	158.00	
Werner Feld	10/12 - 10/15	P/DF	WE	306-0110	2-1	816.00	150.00	
Linda Ferber	10/18 - 10/27	P/DC	EE	306-0105		112.00	849.00	
Robert T. Filep	6/11 - 6/26	P/DE	NEA	306-0610	1-1/17-2	2,664.00	1,352.00	
Glen Fisher	2/24 - 3/25	P/DP	EA	306-0454	10-3	350.00	1,116.00	
Ray M. Fisher	4/17 - 5/8	P/DP	AF/WE	306-0524		4,932.00	1,522.00	
Joseph Fitchett	5/8 - 5/15	P/DP	WE	M-3-06-139		650.00	--	
James E. Fletcher	2/14 - 3/3	P/DP	AR	306-0287	10-4	2,400.00	1,282.00	
Ab Flowers	4/30 - 5/14	P/DE	AR	306-0556	18-1	2,208.00	885.00	
Gregory Flynn	11/15 - 11/16	P/DF	WE	M-3-06-31	3-1	255.00	--	
Roland Freeman	1/13 - 1/18	P/DC	WE	306-0317		100.00	407.00	
Frank Freidel	11/30 - 12/22	P/DP	EA	306-0192		3,490.00	843.00	
Doris Friedensohn	3/5 - 3/18	P/DC	WE	306-0389		2,671.00	982.00	
Harry Gailey	6/18 - 7/14	P/DE	AF	306-0305	17-2	4,541.00	1,361.00	
Oswald H. Ganley	6/13 - 6/17	P/DE	WE/FE	306-0644	17-3	994.00	490.00	
John Garcia	11/13 - 11/23	P/DP	AR	306-0183	5-3	2,890.00	1,207.00	
Richard Garnitz	3/9 - 4/3	P/DE	AF	306-0319	11-3	4,126.00	1,674.00	
Pat Gates	9/14 - 10/17	P/DP	EA	306-0826	23-3	5,537.00	1,744.00	
Charles Gati	3/17 - 4/8	P/DF	EE/WE	306-0408	12-1	2,956.00	2,508.00	
Kenn S. George	9/17 - 9/28	P/DE	EA	306-0816	24-3	3,070.00	742.00	
Robert K. German	1/29 - 2/9	P/DF	WE	306-0300	9-1	3,394.00	970.00	
Barrie Giliberti	3/4 - 3/20	P/DP	WE/EA	306-0337	11-5	4,785.00	1,278.00	
Dee W. Gilliam	9/22 - 10/16	P/DP	EA	306-0834	6-7/84	3,616.00	2,589.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
John Gillis	5/83	P/DP	NEA	M-3-06-67		480.71	--	
John L. Gladdis	4/13 - 4/29	P/DP	WE	306-0481	15-8	2,040.00	2,041.00	
Thomas J. Gleaton	9/23 - 10/1	P/DF	AR	306-0905	24-1	198.00	1,730.00	
Ambassador Glitman	4/12 - 4/14	P/DF	WE	M-3-06-47		991.45	--	
Ambassador Glitman	4/12 - 4/14	P/DF	WE	M-3-06-184		991.75	--	
Louis F. E. Goldie	11/11 - 11/18	P/DE	WE	306-0159	4-3	616.00	573.00	
Walter Goldstein	10/19 - 10/21/82	P/DE	WE	306-0128	4-5	985.50	281.00	
Walter Goldstein	12/12 - 12/14	P/DE	WE	306-0350	11-5	337.00	151.00	
Walter Goldstein	5/30 - 6/4	P/DE	WE	306-0614	17-3	960.00	847.00	
Judson Gooding	2/18 - 3/13	P/DP	AF	M-3-06-83	10-4	5,000.00	--	
Lawrence Goodwyn	5/21 - 6/1	P/DP	AF	M-3-06-100	16-5	2,684.40	--	
Edgar Gordon	4/16 - 4/18	P/DE	WE	306-0543	18-2	1,139.00	1,584.00	
Thomas Gouttierre	12/9 - 12/21	P/DF	WE	306-0215	6-1	2,266.00	888.00	
Dr. Carl Grant	6/23 - 6/30	P/DP	WE	M-3-06-144	19-4	757.00	--	
Peter Gray	8/17 - 8/21	P/DE	AR	306-0788	23-2		310.00	
George W. Grayson	8/10 - 8/26	P/DP	AR	306-0780		2,981.00	1,469.00	
Jerrold Green	3/4	P/DF	WE/NEA	M-3-06-58		3,029.00	--	
Peter Gregory	7/20 - 7/30	P/DE	AR	306-0728	20-2	1,133.00	1,068.00	
Daniel Gregory	6/5 - 7/22	P/DP	WE/AF	306-0637		7,253.00	2,577.00	
Edward Griffin	1/28 - 2/5	P/DP	WE	306-0274		2,571.00	1,150.00	
Robert P. Griffin	9/17 - 9/25	P/DP	AR	306-0827	23-3	387.00	2,719.00	
William E. Griffith	5/31 - 9/3	P/DF	AR/EE/WE/AF/NEA	306-0568	16-1	1,116.00	5,378.00	
John J. Grotpeter	11/3 - 12/4	P/DF	AF	306-0126	3-1	5,066.00	1,677.00	
Damador Gujarati	1/5 - 1/25	P/DE	NEA	306-202	7-2	[illegible],075.00	--	3,788.00
Wendell F. Gunn		P/DE	EA	306-0820	24-3	3,293.00	1,118.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Yvonne Haddad	3/11 - 3/29	P/DP	NEA	306-0369	11-4	4,078.00	1,899.00	
Stephan Haggard	5/28 - 6/26	P/DE	NEA/EA	306-0559	20-2	4,123.00	2,109.00	
Walter Haines	5/27 - 6/12	P/DE	NEA	306-0508	16-3	4,732.00	999.00	
George Haley	1/5 - 1/25	P/DP	WE/AF	306-0256		5,029.00	675.00	
Stefan A. Halper	3/4 - 3/25	P/DF	EA	306-0376	11-1	3,613.00	1,164.00	
Robert Halvorsen	2/26 - 3/15	P/DE	WE/AF	M-3-06-17	10-1	2,828.06	--	
Robert Halvorsen	6/18 - 6/23	P/DF	WE/AF	M-3-06-104		825.00	--	
Michael J. Hamburger	2/11 - 2/22	P/DE	WE	306-0351	11-4	2,797.00	778.00	
Michael J. Hamburger	9/21 - 10/4	P/DE	WE	306-0925	2-2/84	585.00	146.00	
Calvin Hamilton	10/29 - 11/20	P/DE	WE/EE	306-0121	4-5	2,448.00	1,539.00	
Thomas Hammond	4/4 - 4/9	P/DC	AF	M-3-06-24		840.00	--	
Miles Hansen	6/22 - 6/25	P/DF	AR	306-0639	21-1	938.00	430.00	
Michael G. Hansen	8/28 - 9/10	P/DP	AR	306-0775	22-2/23-3	2,103.00	1,602.00	
John P. Hardt	11/28 - 12/9	P/DE	EE	306-0109	4-2	1,475.00	415.00	
Elizabeth Hardwick	11/6 - 12/1	P/DC	WE	306-0167	4-9	1,148.00	1,098.00	
Paul D. Harold	9/2 - 9/25	P/DP	EE/WE	306-0823	23-3	2,345.00	1,596.00	
Michael S. Harper	1/8 - 1/30	P/DC	NEA/WE	306-0230		637.00	2,019.00	2,119.00
Trudier Harris	2/6 - 2/12	P/DC	AR	306-0338		875.00	375.00	
James Hatch	7/83	P/DC	NEA	M-3-06-70		180.00	--	
Frederick H. Hauck	9/24 - 10/14	P/DE	EE/WE	306-0809	4-3/84	3,763.00	1,464.00	
Philip Hauser	10/31 - 5/2	P/DP	EA	306-0140		256.00	306.00	
Earl O. Heady	7/2 - 7/18	P/DE	WE/EE	306-0697	19-2	2,506.00	1,773.00	
Earl O. Heady	10/8 - 10/16	P/DE	EE/WE/NEA	306-0793	23-2	925.00	732.00	
Ronald L. Heflin	7/8 - 8/13	P/DE	AF	306-0720	19-3	1,569.00	675.00	
Harry Heineman	2/15 - 3/7	P/DP	EA	306-0281	9-2	4,080.00	1,035.00	
Lenneal Henderson	7/19 - 8/9	P/DE	NEA	306-0674	20-2	3,883.00	--	
Lenneal Henderson	5/21 - 6/4	P/DP	AF/WE	306-0595		3,249.00	1,458.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
John F. Henning	3/11 - 3/26	P/DP	WE	306-0400		3,101.00	1,447.00	
Gary R. Hess	12/3 - 12/19	P/DP	NEA/WE	306-0196	6-3	3,292.00	759.00	
James Hill	5/15 - 6/1	P/DF	NEA	306-0526	15-1	5,096.00	2,282.00	
Constance Hilliard	11/6 - 12/6	P/DE	AF/WE/NEA	306-0118	3-2	5,050.00	2,328.00	
William P. Hobgood	10/1 - 10/6	P/DP	AR	306-0933		2,576.00	462.00	
John Holmes	2/25 - 2/27	P/DE	WE	306-0378		224.00	156.00	
Richard Hooley	7/23 - 7/30	P/DE	EA	306-0613	17-3	1,498.00	513.00	
Hal Horan	3/11 - 3/30	P/DF	AF	306-0401	12-2	3,685.00	1,304.00	
Marion Houstoun	8/24 - 8/27	P/DE	AR	306-0741	22-1	244.00	403.00	
Hendrik S. Houthakker	12/3 - 12/18	P/DE	EA	306-0113	5-1	2,817.00	1,980.00	
Hendrik Houthakker	5/26 - 5/29	P/DE	WE	306-0617	17-3	138.00	251.00	
Florence Howe	10/4 - 11/16	P/DP	NEA/WE	306-0927	2-4/84	3,504.00	2,544.00	
James C. Humes	7/7 - 8/17	P/DP	EA	306-0693	24-5	9,194.00	3,406.00	
William R. Hutchinson	8/27 - 9/9	P/DP	EA	306-0791	22-2	5,051.00	1,136.00	
William Hyland	6/2 - 6/11	P/DF	WE	306-0596	23-1	1,498.00	835.00	
Ed Ifft	10/1 - 10/5	P/DF	WE	306-0877	1-1/84	1,214.00	--	
David Ives		P/DP	WE	306-0523		477.00	612.00	
Stephen B.Ives Jr.	3/18 - 3/31	P/DE	EE/WE	306-0466	13-4	1,880.00	1,037.00	
William D. Jackson	5/12 - 6/5	P/DF	EA	306-0562	15-1	1,619.00	1,713.00	
E. A. Jaenke	11/27 - 12/11	P/DE	AR	306-0117	4-2	1,611.00	2,020.00	
Leslie A. Janka	9/11 - 9/17	P/DF	AR	306-0869	2-1/84	2,150.00	885.00	
Dr. Lynn Jasik	6/83	P/DP	NEA	M-3-06-65		336.00	--	
Rosalyn Jeffries	2/8 - 2/11	P/DC	AR	306-0314		321.50	742.00	
Brian Jenkins	11/2 - 11/6/82	P/DF	EA	306-0127	3-2	349.00	457.00	
Brian Jenkins	1/13 - 1/29	P/DF	AR	306-0153	7-1	2,547.00	1,980.00	
Brian Jenkins	2/19 - 2/23	P/DF	NEA/AF	306-0309		1,220.00	441.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Robert Jerome	9/14 - 9/28	P/DE	AR	306-0822	23-2	1,957.00	1,584.00	
Charles Johnson	3/3 - 3/19	P/DE	EE/NEA/AF	306-0318	11-3	4,688.00	1,491.00	
Chalmers Johnson	9/21 - 9/22	P/DF	EA	306-0804	4-1/84	50.00	384.00	
William Kennedy	9/83	P/DC	WE/EE	306-0932		1,837.00	2,099.00	
Rodney Jones	1/22 - 2/24	P/DF	EE	306-0213	8-1	5,023.00	1,140.00	
Amos A. Jordan	3/11 - 3/25	P/DF	WE	306-0373	11-2	2,402.00	1,353.00	
David C. Jordan	5/9 - 6/2	P/DP	AR	306-0532	15-8	4,155.00	2,898.00	
Lansine Kaba	11/25 - 12/24	P/DP	AF/WE	306-0177	5-3	4,839.00	3,117.00	
Michael G. Kammen	5/19 - 5/31	P/DP	WE	306-0588	16-5	1,942.00	775.00	
Max Kampelman	9/9 - 9/25	P/DF	WE	306-0830	23-1	2,418.00	1,602.00	
John L. Kane, Jr.	1/7 - 2/5	P/DP	AF/WE	306-0243	8-2	5,829.00	3,411.00	
Jack Kangas	10/11 - 11/6/82	P/DF	EA	306-0108		6,447.14	2,907.00	
Jack Kangas	10/1 - 10/27/83	P/DF	WE/EE	306-0883	1-1/84	2,540.00	3,208.00	
Laurence Kaplan	4/12 - 4/29	P/DF	WE	306-0438	15-3	2,150.21	1,358.00	
Richard Kaplan	1/83	P/DF	NEA	M-3-06-55		537.00	--	
Sidney Kaplan	2/27 - 3/2	P/DP	AR	306-0341	10-4	956.00	362.00	
Denis S. Karnosky	10/30 - 11/13	P/DE	WE	306-0139	3-2	2,796.00	1,272.00	
John D. Kasarda	1/2 - 1/21	P/DP	EE/NEA/WE	306-0244	7-3	4,200.00	2,217.00	
Everett M. Kassalow	1/1 - 1/20	P/DE	NEA/WE	306-0205	7-2	1,306.00	--	2,845.00
Paul Kasten	7/29 - 8/13	P/DE	AR	306-0771	21-2	2,826.00	1,523.00	
Amrom Katz	4/8 - 5/1	P/DF	WE	306-0364	13-1	3,930.13	2,942.00	
Richard Kaufman	4/4 - 4/16	P/DE	EE/WE	306-0506	15-6	1,015.00	534.00	
Phillip Keirstead	4/9 - 4/26	P/DP	NEA	M-3-06-60	15-9	1,566.00	--	
Phillip Keirstead	5/83	P/DP	NEA/EA	M-3-06-68		460.00	--	
Peter Keller	5/15 - 6/16	P/DE	WE	M-3-06-138		115.00	--	
Montague Kern	2/12 - 2/25	P/DP	NEA/WE	306-0291	10-5	5,130.00	3,256.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Samuel Kernell	11/8 - 11/12	P/DP	WE	306-0134	3-5	1,606.00	610.00	
Zalmay Khalilzad	4/9 - 4/30	P/DF	EA	306-0330	13-1	3,630.00	2,685.00	
Charles P. Kindleberger	11/5 - 11/7/82	P/DF	WE	M-3-06-26		686.00	--	
David King	4/9 - 4/23	P/DE	AF/WE	306-0431	13-4	2,471.00	1,358.00	
Reatha C. King	9/16 - 10/7	P/DP	NEA/WE	306-0825	24-4	3,316.00	1,260.00	
William R. Kintner	1/5 - 1/20	P/DF	AR	306-0245	8-1	2,202.00	1,314.00	
Virginia Knauter	10/14 - 10/29	P/DP	WE	306-0934	1-5/84	2,285.00	644.00	
Robert Kohn	11/14 - 12/1	P/DE	AR	306-0116	3-3	2,276.00	825.00	
John C. Kornblum	10/6 - 10/23	P/DF	EE/WE	306-0895		1,250.00	--	
John C. Kornblum	4/28 - 5/2	P/DF	WE	306-0573	16-1	1,528.00	332.00	
Tom C. Korologos	1/3 - 1/7	P/DP	WE	306-0238	7-4	2,088.00	1,027.00	
Richard M. Koster	3/12 - 3/26	P/DC	AR	306-0286		2,270.48	1,569.00	
Marvin H. Kosters	2/11 - 3/6	P/DE	EA	306-0221	9-2	5,175.55	2,675.00	
Sven Kraemer	6/2 - 6/5	P/DP	WE	306-0634	17-5	644.00	136.00	
Lawrence Krause	6/23 - 8/23	P/DE	EA	306-0735		75.00	330.00	
Joseph Krislov	10/22 - 11/10	P/DP	EA	306-0701	2-4/84	4,208.00	1,899.00	
Bruce Kuniholm	4/8 - 5/3	P/DF	WE/NEA	306-0316	15-4	3,746.00	2,885.00	
Bruce Kuniholm	3/3 - 3/27	P/DF	NEA	306-0377	11-2	3,027.70	3,428.00	
Robert LaPorte	11/26 - 12/3	P/DE	NEA	306-0132	4-3	150.00	450.00	
Robert LaPorte	10/29 - 11/20	P/DE	AF/WE	306-0786	3-3/84	4,485.00	2,166.00	
Robert Landmann	9/5 - 9/10	P/DE	AR	306-0831	23-2	373.00	628.00	
Stephen Larrabee	10/13 - 10/16	P/DF	WE	306-0135		449.00	318.00	
Stephen Larrabee	6/8 - 6/10	P/DF	WE	306-0698	19-1	778.00	248.00	
Bruce Lawrence	11/28 - 12/15	P/DP	NEA	306-0204	6-3	2,047.00	1,557.00	
Bruce Lawrence	4/24 - 6/8	P/DP	NEA	306-0513	15-9	5,929.00	4,435.00	
Ivo John Ledere	5/2[illegible] - 6/2	P/DE	WE	306-0625	17-3	2,543.00	1,902.00	
Christopher Lehman-Haupt	2/12 - 2/27	P/DC	NEA/WE	306-0275	9-4	3,095.00	133.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Ronald Lehman	3/24 - 3/26	P/DF	WE	306-0445	12-1	639.00	178.00	
Lewis Lehrman	2/27 - 3/16	P/DE	WE	306-0434	13-5	282.00	2,245.00	
Robert S. Leiken	11/17 - 12/12	P/DF	WE	306-0186	4-1	2,615.00	1,998.00	
Rene Lemarchand	11/30 - 12/22	P/DF	AF	M-3-06-1		4,200.00	--	
John Leonard		P/DC	EA	306-0107		100.00	10.00	
Harry Levine	3/16 - 3/19	P/DC	WE	M-3-06-43		300.00	--	
Paul Levine	6/19 - 6/29	P/DP	WE	M-3-06-140	19-6	418.00	--	
Paul Levine	4/23 - 5/15	P/DP	WE/EE	M-3-06-48		1,550.00	--	
Paul Levine	1/21 - 1/28	P/DC	EE	M-3-06-32	8-5	505.00	--	
Victor Levine	5/12 - 6/9	P/DF	WE/AF	306-0490	16-1	5,265.25	2,608.00	
Bella Lewitzky		P/DC	EA	306-0607			376.00	
Louise Lief	4/3 - 5/21	P/DP	WE/NEA/AF	M-3-06-20		5,849.00	--	
Richard Lillich	12/29 - 1/14	P/DP	NEA/WE	306-0200	6-2	930.00	--	
Don Leslie Lind	4/30 - 5/13	P/DE	NEA/WE	306-0560	16-3	2,885.00	1,078.00	
George E. Lindamood	10/15 - 10/21	P/DE	EA	306-0149	4-6	-0-	204.00	
William Lindemulder	5/13 - 5/23	P/DE	NEA	306-0605	17-4	1,491.00	1,295.00	
Carnes Lord	5/27 - 6/18	P/DF	WE	306-0602		890.00	--	
William A. Lovett	9/13 - 9/24	P/DE	EA	306-0984		75.00	419.00	
Frederick C. Luebke	6/4 - 6/20	P/DP	WE	306-0638	17-5	2,424.00	1,699.00	
William Luers	3/8 - 3/20	P/DF	WE	306-0367	11-2	838.00	644.00	
William Luers	10/1 - 10/5/83	P/DF	WE	306-0880	1-2/84	1,474.00	--	
Richard G. Lugar	9/5 - 9/10	P/DP	WE	306-0857	24-5	3,390.00	166.00	
Witold J. Lukaszeski	8/22 - 8/25	P/DF	AR	306-0805	24-2	350.00	240.00	
Jack Lyle	4/24 - 4/28	P/DP		306-0497		627.00	584.00	
Michael Lynch	1/24 - 1/28	P/DC	EE	M-3-06-33	8-5	450.00	--	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SPC
Mary Niles Maack	2/28 - 3/8	P/DP	WE/NEA	M-3-06-15	10-4	854.00	--	
William Maillard	2/18 - 3/28	P/DP	EA	306-0302	10-4	3,747.00	493.00	
John H. Makin	1/29 - 2/19	P/DE	WE/EE	306-0278	8-2	2,237.00	2,159.00	
John H. Makin	4/29 - 5/10	P/DE	WE/EA	306-0587	16-3	75.00	803.00	
Burton Malkiel	11/21 - 11/27	P/DE	WE	306-0101		435.00	695.00	
Burton Malkiel	5/27 - 6/4	P/DE	WE	306-0867		25.00	519.00	
Markos Mamalakis	10/31 - 12/2	P/DE	AR	306-0103	2-2	3,014.41	1,641.00	
Markos Mamalakis	9/26 - 10/8	P/DF	AR	306-0904	2-1/84	2,626.00	1,080.00	
Joseph R. Mancuso	12/31 - 1/21	P/DE	NEA/EA	306-0199		3,618.42	813.00	
Michael Mandelbaum	5/4 - 5/16	P/DF	WE	306-0586	16-2	1,856.00	798.00	
Michael Mandelbaum	9/17 - 10/4/83	P/DF	EE/WE	306-0854	1-2/84	2,288.00	2,203.00	
Stuart Mandell	3/17 - 3/28	P/DE	EE	306-0379	12-3	626.00	914.00	
Jerre Mangione	8/25 - 10/9	P/DC	WE	306-0902		821.00	--	
Gerald Mangone	10/18 - 10/19	P/DE	EE	306-0211		--	179.00	
Gerard Mangone	3/24 - 3/30	P/DE	EA	306-0441	13-5	120.00	170.00	
Robert W. Marans	8/23 - 9/16	P/DP	EA	306-0810	23-3	1,399.00	--	
Gabriel Marchella	10/1 - 10/8	P/DF	AR	306-0911	2-1/84	2,369.00	345.00	
Jan Mares	4/26 - 4/30	P/DE	WE	306-0582	16-4	405.00	220.00	
Jerome Mark	4/22 - 5/2	P/DE	WE/NEA	306-0380	14-2	2,015.00	--	
Phillip Martin	9/6 - 9/10	P/DE	AR	306-0802	23-2	151.00	495.00	
Jack Matlock	10/1 - 10/4	P/DF	WE	306-0923		3,151.00	--	
Chris Matthews	1/6 - 1/24	P/DP	AF/WE	306-0262	8-3	5,138.00	563.00	
Kathleen Matthews	1/6 - 1/24	P/DP	AF/WE	306-0263	8-4	7,789.50	938.00	
Gail Mattox	1/13 - 1/15	P/DF	WE	306-0252	7-1	718.00	285.00	
Rachel McCulloch	6/21 - 7/2	P/DE	EA	306-0685	18-2	527.00	1,053.00	
Vincent R. McDonald	6/21 - 6/25	P/DP	AR	306-0756		--	150.00	
Peter J. McDonough	7/4 - 7/17	P/DP	AR	306-0703	20-3	3,071.00	1,099.00	
Robert McGeehan	10/23 - 11/1	P/DP	WE	M-3-06-29		505.00	--	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Michael J. McKee	5/24 - 6/4	P/DE	WE/EE	306-0612	17-4	1,708.60	1,647.00	
Walter McMahon	11/13 - 11/16	P/DE	EA	306-0152	4-4	554.20	520.00	
Helen McNeil	5/8 - 5/15	P/DC	WE	M-3-06-49	13-6/16-6	550.00	--	
Francis J. McNeil	9/4 - 9/16	P/DF	WE	306-0856	24-2	1,700.00	1,129.00	
Edwin Meese III	5/3 - 5/7	P/DP	WE	306-0660	16-5	2,083.00	--	
Philip Merrill	5/5 - 5/22	P/DF	WE/EA	306-0553	15-1	3,969.00	1,908.00	
Ken Meyers	10/2 - 10/8	P/DF	WE	306-0890	1-2/84	2,200.00	556.00	
Marc A. Miles	4/28 - 5/11	P/DE	WE	306-0567	16-4	2,844.00	1,381.00	
James Miller	4/29 - 5/20	P/DE	WE	306-0544		1,671.00	1,832.00	
Richard Millett	9/9 - 9/15	P/DP	AR	306-0833	23-4	239.00	1,448.00	
D. Wayne Mooneyhan	9/24 - 10/1	P/DF	AR	306-0892	24-2	198.00	1,180.00	
Jonathan Moore	2/27 - 3/20	P/DP	NEA/WE	306-0301	10-4	6,054.00	1,707.00	
Theodore Moran	5/13 - 6/2	P/DE	EA/AR/NEA	306-0522	15-4	3,713.00	1,776.00	
Mary Morris	7/13 - 8/7	P/DC	AR	306-0717	20-3	2,343.00	1,627.00	
James W. Morrison	4/8 - 4/30	P/DP	AF/WE	306-0469		5,682.00	2,463.00	
Frank Moss	2/18 - 3/23	P/DP	EA	306-0303	10-4	3,958.00	493.00	
James Murphy	9/17 - 9/20	P/DE	EA	306-0818	24-4	167.00	234.00	
Richard Murphy	4/83	P/DC	NEA	M-3-06-63		410.00	--	
Weston Naef	7/21	P/DC		306-0750		514.00	--	
Thomas Naff	1/18 - 2/9	P/DF	NEA/WE	306-0269	9-1	1,923.00	1,498.00	
James A. R. Nafziger	8/9 - 8/29	P/DP	EA	306-0747	21-3	3,613.00	1,148.00	
Janice Nagourney	3/27 - 3/31	P/DP	WE	M-3-06-25	11-4	145.00	--	
Joyce Nalepka	5/22 - 5/31	P/DF	AR	306-0436	15-1	1,401.00	818.00	
Henry R. Nau	2/7 - 2/16	P/DE	WE	306-0355		1,905.00	451.00	
Henry R. Nau	7/31 - 8/28	P/DE	EA	306-0785		657.00	439.00	
John Neff	7/21	P/DC		306-0749		314.00	--	
Stephanie G. Neuman	8/14 - 9/3	P/DF	EA	306-0695	23-1	5,126.00	2,302.00	
Gregory Newell	3/16 -3/17	P/DP	WE	306-0447		195.00	--	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Douglas Newkirk	11/6 - 11/11	P/DE	WE	306-0173	3-3	425.00	378.00	
W. Douglas Newkirk	3/2 - 3/9	P/DE	WE	306-0403	15-6	1,358.00	174.00	
Gunnar Nielsson	11/19 - 12/3	P/DF	WE	306-0185	5-4	1,534.00	1,375.00	
William A. Niskanen	9/10 - 9/21	P/DE	WE	306-0832	23-3	1,968.00	649.00	
William Nordhaus	10/11 - 10/16	P/DE	AR	306-0814		913.00	727.00	
David North	6/27 - 7/5	P/DE	AR	306-0710	19-3	272.00	711.00	
Michael Novak	6/24 - 7/2	P/DP	WE	306-0622	17-6	250.00	561.00	
Jan Nowak	2/25 - 3/21	P/DE	WE	306-0375	12-3	3,501.00	2,342.00	
Robert Nurick	1/22 - 2/13	P/DF	AF	M-3-06-2	8-1	3,066.00	--	
Naomi Nye	5/2 - 5/27	P/DC	NEA	306-0464		4,796.00	2,100.00	
John F. O'Leary	6/2 - 7/2	P/DE	EE/EA	306-0647	17-4	3,553.00	2,157.00	
Walter Oleszek	3/7 - 4/2	P/DP	AF	306-0325		4,031.00	3,135.00	
Walter Oleszek	9/14 - 9/25	P/DP	AR	306-0811	23-4	479.00	2,248.00	
Lionel H. Olmer	2/17 - 2/21	P/DE	WE	306-0371	11-4	3,610.00	44.00	
Frederick Ordway	6/4 - 6/26	P/DE	AR	306-0402	22-1	1,524.00	938.00	
Michael Osborne	1/9 - 1/23	P/DP	WE	M-3-06-6	10-5	3,525.00	--	
Robert Osgood	10/1 - 10/5	P/DF	WE	306-0888	1-2/84	741.00	--	
David Scott Palmer	5/7 - 5/25	P/DF	AR	306-0525	15-2	1,940.00	866.00	
David Scott Palmer	10/25 - 10/31/82	P/DF	AR	306-0100	2-1	917.00	268.00	
Monte Palmer	2/3/83	P/DF	NEA	M-3-06-59		1,429.00	--	
Norman Palmer	3/19 - 4/14	P/DF	WE/NEA	306-0406	12-1	7,579.30	1,622.00	
John R. Pankratz	5/11 - 5/13	P/DP	AF	M-3-06-101		305.00	--	
Daniel Papp	3/15 - 3/20	P/DF	WE	306-0414	12-1	798.09	1,765.00	
Daniel Papp	10/7 - 10/27	P/DF	AF	306-0917		2,230.00	986.00	
Donald Parker	4/83	P/DP		M-3-06-62		307.00	--	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SPC
Creighton Peden	3/6 - 3/12	P/DP	WE	M-3-06-38	12-5	725.00	--	
Creighton Peden	5/16 - 5/20	P/DP	WE	M-3-06-142		590.00	--	
						--	--	
Richard Pells	6/19 - 6/29	P/DP	WE	M-3-06-143	19-4	396.00	--	
Linda M. Perkins	4/14 - 4/15	P/DP	AR	306-0448	15-8	3,046.00	1,581.00	
Mark Perlman	1/2 - 1/23	P/DE	NEA	306-0143	6-1	1,772.00	--	2,870.00
Roland I. Perusse	6/5 - 6/17	P/DP	AR	306-0631	18-4	1,875.00	1,152.00	
Robert Pfaltzgraff	11/6 - 11/11	P/DF	EA		4-2	--	--	
Jayne Anne Philips	11/7 - 11/25	P/DC	NEA/WE	306-0166	4-9	2,902.00	751.00	
Alan A. Platt	4/19 - 4/24	P/DF	AR	306-0446	14-1	537.00	360.00	
Alan A. Platt	6/17 - 6/22	P/DF	EE	306-0681	23-1	550.00	455.00	
Alan A. Platt	7/1 - 7/23	P/DF	WE	306-0682	20-1	898.00	1,095.00	
Norman Podhoretz	11/11 - 11/28	P/DP	WE	306-0162	4-6	3,320.00	1,218.00	
Nelson W. Polsby	5/7 - 5/11	P/DP	WE	306-0484	15-9	704.00	716.00	
Roger B. Porter	5/4 - 5/18	P/DE	WE/EE	306-0580	16-4	6,456.00	1,115.00	
Jonas Prager	2/1 - 2/17	P/DE	EA	M-3-06-56	10-2	823.00	--	
Lucian Pugliaresi	3/9 - 3/20	P/DE	WE	306-0429	15-6	1,953.00	786.00	
Arthur H. Purcell	12/11 - 12/24	P/DE	AR/WE	306-0182	5-2	1,969.00	1,295.00	
Susan K. Purcell	7/4 - 7/8	P/DF	AR	306-0733		637.00	360.00	
William Quandt	12/10 - 1/5	P/DF	WE/NEA	306-0210	6-1	2,264.00	3,445.00	
Richard W. Rahn	1/1 - 1/22	P/DE	EA	306-0144	7-2	3,939.60	2,402.00	
E. Dwayne Rater	7/8 - 8/7	P/DE	AF	306-0722	19-3	2,197.00	1,947.00	
Robert L. Rau	3/1 - 4/30	P/DF	EA	306-0284	11-2	2,322.00	1,455.00	
Bernard Reich	5/4 - 6/11	P/DF	EA	306-0293	15-2	4,474.00	4,788.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Charles Reinhart	9/6 - 10/16	P/DC	EA	306-0838		6,247.00	1,358.00	
Stepanie Reinhart	9/6 - 10/18	P/DC	EA	306-0839		6,247.00	1,242.00	
Barry Render	11/22	P/DE	NEA	M-3-06-51		1,210.92	--	
Richard R. Renner	5/10 - 5/27	P/DP	AR	306-0531	16-5	3,312.00	1,413.00	
Richard W. Riche	4/2 - 4/10	P/DP	AR	306-0507	14-3	546.00	595.00	
Sally K. Ride	9/24 - 10/14	P/DE	EE/WE	306-0808	4-4/84	3,813.00	1,464.00	
Stanley Riveles	11/6 - 11/23	P/DF	WE	306-0141	4-2	1,753.10	835.00	
James Roach	8/1 - 8/12	P/DP	NEA	306-0855		700.00	--	
Stanley Robe	2/6 - 2/12	P/DF	AR	306-0328	11-3	600.00	645.00	
Markley Roberts	4/12 - 5/8	P/DE	EA/NEA/WE	306-0381	13-4	3.756.00	1,714.00	
Kenneth Robinson	4/5 - 4/14	P/DE	WE/EE	M-3-06-46	14-2	894.88	--	
Kenneth Robinson	6/7 - 6/8	P/DF	WE	M-3-06-136		325.00	--	
Marilynne Robinson	11/7 - 11/30	P/DC	WE	306-0171	4-9	2,300.00	1,820.00	
Michael Rockland		P/DP	AR	306-0201		--	150.00	
Hazel Reid Rollins	6/2 - 7/2	P/DE	EE/EA	306-0648	17-4	3,553.00	2,157.00	
Richard Rosecrance	5/5 - 5/27	P/DF	EA	306-0331	15-2	3,365.00	2,547.00	
James N. Rosenau	3/17 - 3/27	P/DP	NEA	306-0385		1,177.00	1,165.00	
James N. Rosenau	7/24 - 8/4	P/DP	WE	306-0709	20-3	2,604.00	974.00	
Jon Rosenbaum	10/23 - 11/6	P/DE	WE	306-0130	4-5	2,412.00	868.00	
Douglas E. Rosenthal	11/7 - 11/11	P/DE	WE	306-0150	3-3	142.00	320.00	
Douglas E. Rosenthal	1/16 - 1/18	P/DE	WE	306-0292	8-2	100.00	75.00	
Neal H. Rosenthal	6/20 - 7/1	P/DP	WE	306-0669	18-4	2,215.00	644.00	
Bernard Roshco	11/10 - 12/11	P/DP	WE	306-0170	4-7	2,988.00	1,602.00	
Bernard Ross	1/22 - 2/9	P/DP	EA	306-0279	9-2	3,414.00	1,555.00	
Elspeth Rostow	7/22 - 11/2	P/DE	EA	306-0652	19-3	5,918.00	6,129.11	
Walt W. Rostow	7/22 - 11/12	P/DE	EA	306-0651	19-3	5.918.00	8,922.11	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Mary Rountree	1/3 - 2/8	P/DC	AF	M-3-06-5	7-5	3,260.00	--	
Seymour Rubin	12/4 - 12/16	P/DE	AR	306-0193	5-2	517.00	1,412.00	
Dankwart Rustow	1/12 - 1/15	P/DE	AR/WE	306-0249	7-2	847.00	150.00	
Dankwart Rustow	2/21 - 3/5	P/DE	AR	306-0295	10-2	1,432.00	1,431.00	
Philip J. Rutledge	12/5 - 12/18	P/DP	WE	306-0209	5-3	1,251.00	--	
Tim Ryles	4/28 - 5/14	P/DP	NEA	306-0518	14-3	1,178.00	--	
Richard V. Salisbury	8/3 - 8/18	P/DP	AR	306-0777	22-2	2,356.00	1,280.00	
William C. Salmon	6/10 - 6/15	P/DE	WE	306-0666	18-2	895.00	903.00	
Nestor Sanchez	10/3 - 10/6	P/DF	WE	306-0886	2-1/84	1,612.00	--	
Fred H. Sanderson	11/5 - 11/20	P/DE	EA	306-0119	4-4	2,639.18	1,890.00	
Steven M. Saunders	2/4 - 2/12	P/DE	EA	306-0250	10-2	1,979.30	843.00	
Robert A. Scalapino	6/29 - 7/3	P/DF	EA	306-0665	23-1	100.00	1,142.00	
Michael G. Schatzberg	1/12 - 2/1	P/DF	AF	306-0234	9-1	3,574.84	2,184.00	
Lawrence Scheinman	3/18 - 4/2	P/DE	EA	306-0404	20-2	50.00	192.00	
Alan Schneider		P/DC	EA	306-0106		--	560.00	
James T. Schollaert	5/22 - 5/31	P/DF	AR	306-0435	15-2	1,414.00	443.00	
Karla Schultz	12/31 - 1/21	P/DE	EA/NEA	306-0198	6-1	3,521.00	288.00	
Stuart J.D.Schwartzstein	1/17-2/8	P/DF	WE	306-0229	9-1	2,656.00	-- 2,505.00	
Stuart Schwartzstein	3/12 - 3/16	P/DF	WE	306-0465	13-2	598.00	725.00	
Russell Schweickart	9/13 - 10/6	P/DE	EA	306-0868		75.00	479.00	
Frederick Seitz	7/9 - 7/19	P/DF	WE	306-0746	20-1	2,814.00	756.00	
Wayne A. Selcher	3/14 - 3/30	P/DF	AR	306-0329	11-2	1,800.00	2,052.00	
Maxine S. Seller	6/4 - 6/19	P/DP	WE	306-0636	17-6	2,166.00	1,610.00	
Nina Serafino	4/4 - 5/4	P/DF	AR	306-0470	13-1	150.00	271.00	
Caesar D. Sereseres	6/30 - 7/22	P/DF	AR	306-0732	19-1	3,412.00	2,021.00	
Simon Serfaty	2/16 - 3/6	P/DF	AF/WE	306-0283	10-1	4,327.00	1,731.00	
Simon Serfaty	5/31 - 6/11	P/DF	WE	306-0547		4,814.00	654.00	
Susanne Shafer	6/18 - 6/25	P/DP	WE/AF	306-0618		2,806.00	935.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Marjorie Share	10/15 - 11/27/82	P/DC	EA	306-0120		--	576.00	
Lois Shepard	10/19 - 11/3	P/DP	EA	306-0184		401.00	225.00	
Harvey Sicherman	4/16 - 4/30	P/DF	NEA/WE	306-0407	15-4	2,635.00	1,815.00	
Carlton R. Sickles	2/15 - 3/7	P/DP	EA	306-0335	10-5	4,705.00	1,190.00	
Paul Sigmund	6/19 - 7/6	P/DF	AR	306-0677	17-1	1,888.00	1,528.00	
Nathan Silver	6/5 - 6/11	P/DP	WE/EE	M-3-06-137		950.00		
Robert T. Simmelkjaer	7/9 - 8/4	P/DP	WE/AF	M-3-06-103	19-4	3,533.41	--	
Maurice Simon	12/3 - 12/12	P/DE	EA	306-0219	6-2	3,481.59	737.00	
Thomas W. Simons	3/9 - 3/13	P/DF	WE	306-0415	12-2	214.00	174.00	
Barbara Sinclair	5/15 - 5/21	P/DP	WE	306-0551	15-8	698.00	778.00	
Fred Singer	11/6 - 11/23	P/DE	NEA/WE	306-0104	3-3	1,355.00	1,708.00	
Elliott Skinner	1/12 - 1/15	P/DP	AF	306-0264	8-3	955.00	600.00	
Robert Slighton	8/5 - 8/24	P/DE	EA	306-0762	21-2	3,172.00	916.00	
Walter Slocombe	5/4 - 5/12	P/DF	WE	306-0458	19-1	1,915.00	998.99	
Leon Sloss	10/1 - 10/6	P/DF	WE	306-0889	2-1/84	1,766.00	215.00	
Karna Small	8/16 - 9/1	P/DP	AR	306-0783	22-2	2,960.00	1,206.00	
Robert M. Smalley	2/7 - 2/25	P/DP	WE	306-0307	9-3	3,595.00	1,063.00	
Loren A. Smith	10/17 - 11/10	P/DP	WE	306-0102	2-2	2,690.00	1,723.00	
Anthony Smith	12/13 - 12/14	P/DP	AR	306-0233		308.00	480.00	
Stanley E. Smith	3/12 - 4/15	P/DP	WE/EE/NEA	306-0394	13-3	4,828.00	4,644.00	
Helmut Sonnenfeldt	10/7 - 10/25/82	P/DF	WE	306-0158	2-2	310.00	711.00	
Helmut Sonnenfeldt	12/1 - 12/3	P/DF	NEA	306-0214		50.00	113.00	
Helmut Sonnenfeldt	5/6 - 5/11	P/DF	WE	306-0569		100.00	287.00	
Helmut Sonnenfeldt	7/10 - 7/14	P/DF	WE	306-0694	23-2	100.00	236.00	
K. Van Spanckeren	5/83	P/DC	NEA	M-3-06-176		716.00	--	
Donald Sparks	4/23 - 5/2	P/DE	WE/AF	306-0417	14-2	3,146.00	323.00	
Dwain F. Spencer	4/30 - 5/14	P/DE	AR	306-0554	18-3	2,237.00	885.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SFC
Amb. Richard Starr	10/21 - 10/29/82	P/DF	WE	M-3-06-30		1,097.00	--	
John Starrels	4/30 - 5/31	P/DE	EE/WE	306-0530	15-6	3,428.47	1,963.00	
Thomas Stauffer	3/6 - 3/12	P/DC	WE/EE	M-3-06-36		962.00	--	
Susan S. Stautberg	3/2 - 3/4	P/DP	WE	306-0353	13-4	476.00	358.00	
William Stearman	5/23 - 6/29	P/DF	WE/EE	306-0570	16-2	3,766.19	2,225.00	
Kurt R. Stehling	11/3 - 11/11	P/DE	WE	306-0157	4-4	1,270.00	704.00	
Steve Steiner	7/24 - 8/5	P/DF	WE	306-0767		458.00	237.00	
Angela Stent	6/4 - 7/2	P/DE	WE	306-0684		1,896.00	877.00	
Sherry Stephens	1/18 - 1/22	P/DE	AR	M-3-06-9		3,500.00	--	
J. W. Stephens	5/14 - 5/29	P/DE	AF/WE	306-0240	15-4	4,457.00	2,343.00	
Michael Sterner	2/9 - 3/4	P/DF	WE/NEA	306-0339	10-1	2,212.00	2,513.00	
John Paul Stevens	8/16 - 8/22	P/DP	EE/WE	306-0776	22-2	4,238.00	424.00	
Jack Stieber	4/1 - 4/7	P/DE	EA	306-0474	15-7	300.00	698.00	
Andrew Stoler	9/18 - 9/30	P/DF	WE/AF	M-3-06-106		4,053.00	--	
Robert Stone	11/7 - 11/26	P/DC	WE	306-0165	4-10	1,048.00	1,218.00	
Marie D. Strazar	11/22 - 12/5	P/DP	EA	306-0189	5-4	2,724.00	1,227.00	
Marie D. Strazar	2/20 - 3/3	P/DP	EA	306-0323	10-5	1,721.00	--	
Jaime Suchlicki	5/17 - 5/29	P/DF	AR	306-0590	15-2	1,014.00	1,417.00	
Lawrence H. Summers	3/8 - 3/19	P/DE	WE	306-0416	15-7	1,662.00	727.00	
Joel L. Swerdlow	11/6 - 12/12	P/DP	EA	306-0138	4-7	5,045.00	1,843.00	
Francis Sypher	4/4 - 4/9	P/DP	AF	M-3-06-23	13-6	776.00	--	
Shirin Tahir-Kheli	4/23 - 5/14	P/DF		306-0499	15-4	3,044.00	1,282.00	
Ross Terrill	6/1 - 6/24	P/DF	EA	306-0589	17-1	4,525.00	2,205.00	
Robert Textor	1/16 - 1/24	P/DP	EA	306-0270	8-3	250.00	--	
Dennis L. Thompson	2/21 - 3/3	P/DP	WE/AF	M-3-06-12	10-5	2,595.00	--	
Richard Thorn	5/6 - 6/2	P/DE	EA	306-0259	15-5	3,865.00	2,097.00	
Richard Thornton	5/22 - 6/11	P/DF	WE	306-0571	16-2	2,912.00	2,111.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT	DSA	SPC
James Thorson	5/11 -5/15	P/DC	WE	M-3-06-135	16-6	395.00	--	
Ronald Tiersky	4/10 - 4/18	P/DP	WE/NEA	M-3-06-10		2,800.00	--	
Ricki Tigert	10/2 - 10/16	P/DE	AR	306-0871	1-4/84	2,745.00	1,264.00	
Thomas Timb[illegible]	4/83	P/DF	NEA	M-3-06-66		650.00	--	
John Barre Toelken	6/20 - 7/2	P/DP	WE	306-0601	18-4	250.00	954.00	
Alfred Tucker	7/8 - 8/7	P/DE	AF	306-0721	19-3	2,237.00	1,514.00	
Joseph S. Tulchin	9/30 - 10/14	P/DF	AR	306-0903	2-2/84	2,188.00	1,598.00	
Carlton Turner	9/27 - 10/1	P/DE	AR	306-0865	24-4	674.00	1,050.00	
Alan Unsworth	1/22 - 2/5	P/DE	WE	306-0299	10-2	2,835.00	561.00	
Albert Utton	6/12 - 6/18	P/DF	AR	306-0459	19-2	937.00	600.00	
Alexander Vershbow	4/23 - 5/7	P/DF	WE	306-0460	14-1	2,039.00	1,012.00	
Alexander Vershbow	9/27 - 10/9/83	P/DF	WE	306-0896	1-2/84	1,238.00	816.00	
Ambassador Vest	3/13 -3/16	P/DE	WE	M-3-06-42		772.38	—	
T. Nejat Veziroglu	6/4 - 6/11	P/DE	AR	306-0687	19-3	1,073.00	1,805.00	
Adis Maria Vila	6/23 - 6/28	P/DP	EA	306-0649	18-4	300.00	--	
Ivan Volgyes	11/30 - 12/11	P/DF	WE/EE	306-0208	5-1	2,644.66	1,591.00	
Ivan Volgyes	9/12 - 9/23	P/DF	WE	306-0852	1-3/84	650.00	956.00	
Arpad Von Lazar	3/16 - 3/30	P/DE	WE	306-0382	12-3	1,807.00	1,052.00	
Arpad Von Lazar	6/5 - 6/8	P/DE	WE	306-0621	17-4	622.00	150.00	
J. Clifford Wallace	8/24 - 9/11	P/DP	EA	306-0782	22-2	2,764.00	964.00	
Vernon B. Walters	7/4 - 7/25	P/DF	WE	306-0745	20-1	1,160.00	760.00	
Edward Warner	10/1 - 10/8/83	P/DF	WE	306-0885	1-3/84	2,103.00	326.00	
Spencer C. Warren	10/8-10/18/83	P/DP	WE	306-0926	2-5/84	562.00	212.00	
Ruth A. Washington	9/6 - 9/20	P/DP	AF	306-0824	23-4	3,153.00	892.00	
Donald E. Weatherbee	9/30 - 10/17/83	P/DF	EA	306-0921	1-3	1,738.00	2,087.00	

NAME	DATE	ELEMENT	AREA	GRANT	PAGE	INDIRECT *	DSA *	SFC	
Alan Webb	2/1 - 2/17	P/DE	WE/NEA/AF	M-3-06-8		3,011.00	--		
Paul Weidner	6/3 - 6/27	P/DC	AR	306-0514		986.00	3,576.00		
Paul Weinstein	1/8 - 1/29	P/DE	WE	306-0261		3,295.00	1,790.00		
Sidney Weintraub	11/15 - 11/19	P/DE	WE	306-0188	5-3	--	1,250.00		
Sidney Weintraub	5/8 - 5/14	P/DE	AR	306-0433	15-5	328.00	842.00		
Roger L. Weisch	6/21 - 7/3	P/DP	WE	306-0670	18-4	2,615.00	1,080.00		
Joseph G. Whelan	9/5 - 9/13	P/DF	EA	306-0732	3-2/84	109.00	856.00		
Curtis T. White	11/15 - 12/18	P/DP	AF/EE/WE	306-0133	5-3	4,110.00	1,679.00		
Curtis T. White	1/11 - 1/15	P/DP	WE	306-0265		1,238.00	--		
Curtis T. White	8/27 - 8/31	P/DP	AR	306-0795	23-4	--	1,135.00		
Robert M. White II	6/1 - 6/4	P/DP	WE	306-0529	17-6	688.00	240.00		
Dennis E. Whitfield	11/19 - 12/2	P/DE	WE	306-0206	5-2	1,478.00	350.00		
Robin W. Winks	6/16 - 6/17	P/DP	AF	306-0778		159.00	--		
June A. Willenz	10/30 - 11/10	P/DP	WE	306-0115	3-5	3,166.00	1,141.00		
Richard Williamson	3/1 - 3/12	P/DE	WE/NEA	306-0296	11-4	5,377.48	285.00		
James Willis	6/11 - 6/28	P/DE	AF/WE	306-0511	18-3	3,356.00	369.00		
Milton Wilson	2/14 - 2/26	P/DP	AR	306-0322	10-5	2,937.00	1,384.00		
Allan M. Winkler	4/16 - 5/6	P/DF	WE	306-0395	15-9	3,607.00	2,534.00		
Dov Zakheim	11/23 - 12/3	P/DF	NEA/WE	306-0190	4-1	1,038.00	152.00		
Dov Zakheim	10/1 - 10/5	P/DF	WE	306-0878	1-3	1,624.00	--		
I. William Zartman	1/9 - 1/15	P/DF	WE/NEA	306-0241	7-1	565.00	777.00		
Larzer Ziff	11/11 - 11/30	P/DC	WE	306-0146	4-10	1,489.00	2,001.00		
Larzer Ziff	7/7 - 7/30	P/DC	EA	306-0704	19-6	287.00	803.00		
Aristede Zolberg	7/10 - 7/16	P/DF	AR	306-0730	20-1	616.00	600.00		
Albert Zucca	4/18 - 5/25	P/DE	AR	306-0478	15-7	2,424.00	1,493.00		
				Sub-total		1,238,070.83	601,904.99	11,622.00	
				** Misc. Expenses		210,984.17	37,830.01	5,321.00	
				Grand Total		1,449,055.00	639,735.00	16,943.00	2,105,

* (NOTE: Total Indirect + DSA = 2,088,790.00)

** Includes staff travel, petty cash, shipping and ATR postings.

The Private Sector Committees extend the operating resources available to the Agency by providing advice and review as well as tangible support for Agency programs. Appointees pursuing the Administration's goal of greater private sector volunteerism in government have guided the committees to such achievements as the contribution of free film and television properties and other program materials, professional analyses of Voice of America listenership, enhanced International Visitors Programs, and assistance in developing the Voice of America modernization program.

The increase in the number of political and non-career employee appointments in USIA in this Administration coincides with a significant increase in ceiling for total USIA employees as requested by the Administration and authorized by Congress in the past few years. These increases reflect intent to enhance the role of the Agency in public diplomacy and to implement expansion particularly in the Exchange Programs and in the modernization of VOA.

Specifically, the ceiling for total USIA employees has increased from 8,161 in FY 1981 to 8,581 in 1983 to 9,002 in 1984. In the same years the ceiling for total SES positions increased from 23 to 31 to 45. Of these, OPM permitted the ceiling on non-career SES positions to increase from five to seven to 10 in the same years. While all of the additional non-career positions are filled, we are still in the pipeline process of filling new additional career SES slots, which requires more time because of the competitive employment procedures involved. Similarly, our total of Schedule C positions has grown from 11 in 1980 to 43 in 1983 to 39 in 1984. This brought the total number of political appointees to 64 in 1983 and 63 at present.

	Oct. '80	May '83	March '84
Total USIA Authorized Positions	8,161	8,581	9,002
Presidential Appointees	6	6	6
Noncareer SES	5	7	10
Limited Term SES	1	3	2
Schedule C	11	43	38
Noncareer Executive	1	0	0
Noncareer Foreign Service	0	5	7
Total noncareer	24	64	63

USIA INITIATIVES SINCE JUNE 9, 1981

1. REVITALIZED ROLE OF USIA AS EQUAL PARTNER IN THE CONDUCT OF U.S. FOREIGN POLICY

    a. NSDD 77 underlines the coming of age of public diplomacy in America's foreign policy structure.

    b. For the first time in many years, USIA has close working relationship at the top level with Department of State, National Security Council, Department of Defense.

    c. Director or Deputy Director attend Secretary of State Shultz's daily policy meeting.

    d. Appropriations enacted for FY 1984 total $659.7 million, an increase of $201.9 million over the sums available in FY 1981. Almost half of that increase ($88.6 million) is attributable to VOA facility modernization needs, exchange-of-persons enhancements, and the new programs, Radio Broadcasting to Cuba and the National Endowment for Democracy.

e. Success of our nation in the international arena depends on whether and how well our actions and intentions are understood by the rest of the world: compelling argument for work of USIA.

f. Dr. George Gallup, former member of Agency's Advisory Commission, has said that the Agency is in a better position than at any time to obtain policy material quickly and thus do its work overseas effectively.

2. NAME CHANGE TO USIA

a. Reorganization Plan No. 2 of 1977 merged USIA and the State Department's Bureau of Educational and Cultural Affairs, and changed USIA's name to U.S. International Communication Agency.

b. USIA, born during Eisenhower years, was a fine name for 25 years. It provided clear identity for an Agency which was a strong advocate for America.

c. On August 24, 1982 the President signed the bill returning the Agency's name to United States Information Agency.

d. Return to USIA signaled reinvigoration of Agency in its new, expanded role.

3. USIA CONSOLIDATION IN NEW BUILDING

For the first time in USIA's history, most Agency offices have been consolidated in one building, greatly increasing efficiency, achieving a savings over the next 10 years of $9 million (based on projected rental trends), and improving employee morale.

4. TELEVISION AND FILMS

A. WORLDNET

-- WORLDNET is an interactive, state-of-the-art television network that is designed to link Washington via satellite with all of the United States' embassies and posts overseas.

-- WORLDNET began as EURONET, the acronym for press conferences to Europe, on November 3, 1983. The system is now composed of several regional systems including EURONET (EUROPE), PACNET (the Pacific and Far East), American Republics NET (the Caribbean, Central and South America), MEDNET (the Near East) and AFNET (Africa).

-- The system allows a two-way audio, one-way video transmission on a once or twice a week basis from Television and Film studio headquarters. It permits key policymakers to discuss directly with our most important audiences the vital issues which we now confront.

-- The system may also be used for on-the-record briefings at the Foreign Press Center; individual interactive meetings between a government official and perhaps the editorial board of a prominent newspaper; off-air public affairs programs such as the "MacNeil-Lehrer Report" or "Meet The Press"; or programming from USIA such as TV Satellite File, Science World or Press Conference U.S.A.

-- The inaugural program featured transatlantic discussions on the situation in the eastern Caribbean with Ambassador Jeane Kirkpatrick, Prime Minister Adams of the Bahamas, Prime Minister Compton of St. Lucia, and Deputy Assistant Secretaries of State (ARA) Johnstone and Michel. Reports indicate the program was a smashing success.

— Other programs have included the highly publicized and successful hookup December 5, 1983 between President Reagan, West German Chancellor Helmut Kohl and three astronauts aboard the orbiting

Columbia Space Shuttle; discussions on events in Grenada and Lebanon; the INF deployment in Europe; and European-American trade.

- Officials who have appeared on EURONET programs include U.N. Ambassador Jeane Kirkpatrick, Kenneth Adelman, director of the Arms Control and Disarmament Agency, Alister Hughes, a Grenadan journalist imprisoned after the assassination of former Grenada Prime Minister Maurice Bishop; Malcolm Baldrige, Secretary of Commerce, Robert McFarlane, National Security Advisor, Ambassador Edward Rowny, U.S. negotiator at the START talks, George Shultz, Secretary of State, former Secretary of State Henry Kissinger, who participated from Brussels, and Donald Regan, Secretary of Treasury.

- A week-long test was conducted in March 1984 of COMSAT's new compressed digital video system which would give the Agency the potential to expand significantly its overseas programming capabilities. The test was termed an "enormous success."

- Since the WORLDNET system was launched Nov. 3, 1983, USIA has used its one-way video, two-way audio satellite hookup almost exclusively for press conferences with top-level Administration officials and overseas journalists. With the COMSAT system, participants in Washington and London could both see and hear one another, and the programming during the test week included a wider range of social and cultural topics.

- The COMSAT system utilized a 2.4 meter wide mobile earth station located outside USIA-TV headquarters in Washington. The daily programs were transmitted to British Telecom headquarters in London where a four meter earth station is located.

B. WEEKLY SATELLITE FEED: "SATELLITE FILE"

- SATELLITE FILE, USIA's weekly syndicated, half-hour, news feed is one of the most dramatic advances in international communications for the U.S. Government since the Voice of America went on the air over 40 years ago.

- SATELLITE FILE provides USIA with an exciting vehicle through which to present important, fast-breaking policy issues to prime-time TV audiences in Europe, the Middle East, Latin America, Africa, Australia and the Far East.

- Fifty posts are now subscribers to SATELLITE FILE, with France, the U.K., India and China among the largest.

- Participants have included President Reagan, Vice President Bush, Secretary of Commerce Baldrige, Underscretary of State Lawrence Eagleburger, Ambassador Richard Stone, U.S. Senators Charles Mathias, and Paula Hawkins and Congressman Jim Leach.

- VISNEWS, the world's largest TV news syndication service, has agreed to carry "Satellite File" stories weekly, via satellite, free-of charge, under its banner. SATELLITE FILE is sent to 275 network subscribers around the world.

- Using VISNEWS will save the USG the transmission cost of $2,620 per week.

- VISNEWS has also agreed to become USIA's agent in London for the European syndication of the "TV Satellite File" program each week to members of the EBU Program Exchange. These include daily magazine and feature-type programs.

C. SCIENCE WORLD

- Science Report, the predecessor to Science World, was produced for 18 years at a cost of approximately $18 - $20,000 per program. In 1982, TV was asked to produce a new series with a modest budget. A letter was written to the Fortune 500 companies, requesting assistance by providing film and video tape material. The response was immediate and overwhelming.

-- Science World is now produced monthly at a cost of approximately $1,200 per program.

-- Science World is distributed to 83 countries where it is shown on prime television to an estimated audience of 150 million. Beijing, China is also receiving the series now.

-- Twelve programs have been produced. The first three were awarded Golden Eagles by the Council on International Non-Theatrical Events (CINE) in November 1983.

D. "FILM FACTS USA": Establishing central information bank at Foreign Press Centers for foreign filmmakers.

-- "Film Facts USA," organized with the Association of Film Commissioners (AFC), provides information required by foreign television, film and still photograph producers to make location/production decisions in the United States.

-- "Film Facts USA" is a comprehensive collection of data ranging from road maps, location stills and weather charts to industry contacts and when, where and how to secure photo permits.

-- Agency has obtained information from state and municipal film commissions across the country; it is available at Agency Foreign Press Centers in Washington, New York and Los Angeles, as well as USIA's Regional TV office in London and principal posts worldwide.

-- The cost to USIA is only that of delivery of the information already compiled by the state and municipal film commissions. This effort will benefit both USIA and AFC.

E. INTERNATIONAL MARKETING: Introduced "marketing concept," a philosophy gearing conduct of Agency TV operation to satisfaction of customer requirements while assuring communication of Agency priorities.

-- Experienced TV producers assigned to Washington, New York and Los Angeles Foreign Press Centers.

-- A television technical equipment package installed at the Washington Foreign Press Center so that briefings are now videotaped and one-on-ones made possible afterwards as required.

— A mini-cam team placed on standby for the Washington Foreign Press Center.

-- TV Teleconferencing is a possibility between all three Foreign Press Centers via commercial carriers and sub-contractors, which is being explored by the Agency.

-- A video line has been installed through C & P facilities at the Department of State, servicing the Washington Foreign Press Center from the Department's noon briefing. Service began the first week of November 1983.

-- Installation of TV equipment at Foreign Press Center has increased attendance at briefings.

F. OUTREACH PROGRAM: Searching private and public sectors for new products and services.

-- Established private sector intiative for film acquisitions and film personalities. Leo Jaffe, Chairman Emeritus of Columbia Pictures, heads the effort.

-- In cooperation with the National Audio Visual Center, Agency is offering NAVC's entire collection of U.S. Government owned films to posts abroad. Began with series of "How To" films for Africa which received great response.

G. NEWS COVERAGE: Established News Coverage Group to assure forward planning of special events coverage, and determine priorities to assure responsiveness of key, fast-breaking events.

-- Installing VOA news and NCA wires in the Current Events Division, in addition to commercial services.

H. CONVERSION OF VIDEOTAPES:

-- In 1982 USIA spent approximately $225,000 to convert videotapes to the different television signal standards in use abroad.

-- USIA plans to buy for $55,000 a standards converter which will save this sum, while speeding delivery of programs to posts and assuring better quality control.

-- This price contrasts with earlier staff estimates ranging up to 1.2 million dollars to develop this in-house capability.

-- USIA is testing several converters now. Will make purchase after posts have assessed the quality of tape conversions produced by each machine.

5. TDRSS (Tracking and Data Relay Satellite System)

-- USIA has taken the lead in working with NASA and the Departments of Defense and State to develop a system of direct broadcasting of TV programs and other material to selected American embassies in Europe.

-- With this system, the Agency would be able to provide teleconference service, acquired and produced programs, press conferences, video dialogues and other services directly to posts and embassies via low-cost satellite receiving dishes placed on the embassy grounds.

6. SATELLITE TELEVISION TRANSMISSIONS

Extensive efforts to carry Administration's messages directly to foreign audiences without distortion or filtering.

a. LET POLAND BE POLAND:

-- Landmark effort in history of political communication. Never before had so many (15) world leaders come together to deliver the same message -- outrage and concern at the plight of the people of Poland under martial law -- directly to people around the world.

-- 185 million people in 50 countries saw at least 30 minutes or more.

-- In addition, three- to thirty-minute highlights were shown in 17 countries. They were seen by at least 200 million persons, including 100 million in China.

-- 165 million heard an audio version on the Voice of America or on Radio Free Europe or Radio Liberty.

-- With assistance from VOA, many independent radio networks around the world broadcast the soundtrack, including RIAS, Deutschlandfunk, Radio France.

-- (Sources of above figures were TV station managers or educated estimates by U.S. embassies.)

-- Program set a standard by which other public diplomacy initiatives will be judged from now on.

-- At least 142 PBS affiliates broadcast the program in the U.S.

-- Joint congressional resolution allowed film to be shown in U.S.

b. TRANSMISSION OF PRESIDENTIAL SPEECHES, CABINET OFFICER VIDEO DIALOGUES:

-- Satellite television is in the forefront of USIA's public diplomatic efforts in support of American policies.

-- Illustrates increased cooperation from, better access to top policymakers.

-- President Reagan's new proposal in arms talks with the Soviet Union fed live to 19 countries on March 30, 1983 via the European Broadcasting Union. Audience: 49 million.

-- Satellited Secretary Shultz's October 12, 1982 U.N. General Assembly address to India, the Philippines, Mexico, Jordan, Egypt, Brazil, Colombia, and Haiti.

-- Satellited to Europe Secretary Weinberger's September 28, 1981 news conference announcing release of Defense Department document "Soviet Military Power."

-- President's historic November 18, 1981 speech on zero options seen via satellite by millions of people in 50 countries.

-- Two-way television dialogue December 16, 1981 via satellite between Defense Secretary Weinberger and Japanese journalists and defense experts in Tokyo.

-- President's February 24, 1982 Caribbean Basin Initiative speech beamed live to Western hemisphere.

-- Video dialogue March 30, 1982 between Commerce Secretary Baldrige and Japanese economists on bilateral trade issues.

-- Satellited President Reagan's February 22, 1983 American Legion speech to Europe and India, and by land line to the European Broadcasting Union's facility in New York. Speech was also sent in subsequent satellite broadcasts in Arabic to the Arab world, in Spanish to Latin America, and in Portuguese to Brazil. Audience: 27.5 million.

-- Satellited President Reagan's April 27, 1983 speech on Central America to nations throughout South and Central America, and the Caribbean. Audience: 52 million.

-- Satellited President Reagan's speech on Central America July 18, 1983 to Colombia, Costa Rica, Guatemala, Honduras, Mexico, Panama, San Salvador, and Venezuela. Audience: 12 million.

7. SECURED OFF-THE-AIR ACCESS TO ABC NEWS AND PUBLIC AFFAIRS PROGRAMMING FOR USE OVERSEAS.

-- No cost to USIA.

-- "Nightline," "20/20," ABC documentaries available for USIA use overseas.

-- Every Monday morning USIA-TV sends "World News Tonight" to embassies in 80 countries to be used for in-house, background updates on how the international news is being covered at home.

— With another network, the cost would be $68,000. ABC offered the service free of charge.

8. SHARPENED FOCUS

— Sharpened focus on U.S. goals and achievements as well as countering Soviet distortions of U.S. actions and intentions.

Elements:

a. "Soviet Propaganda Alert" a monthly publication based on information transmitted by our officers overseas, along with research in Washington; exposes Soviet disinformation around the world.

b. Fast Guidance Service: cables to Agency's some 206 posts in 126 countries providing guidance for rebuttal of specific instances of Soviet disinformation in a given country or region.

c. Dateline America — stories, many from other U.S. Government agencies, highlighting American strengths, achievements, ideals, and drawing attention to the weaknesses of Marxist societies.

d. "Soviet Military Power" — a booklet published in two editions by the Department of Defense and distributed overseas by USIA.

e. USIA's "Afghanistan" pamphlet, which helped focus world attention on Soviet occupation of that formerly non-aligned nation.

9. VOICE OF AMERICA

— A 1.2 billion dollar modernization program has begun involving the upgrading of present relay stations and the construction of new stations. The effort will extend through 1989.

— In October 1983, groundbreaking ceremonies inaugurated the construction of four modern broadcast studios at VOA headquarters in Washington. The new studios will serve as prototypes for renovating 19 other studios that were built in 1954. VOA has a total of 26 studios now.

— USIA Director approved a separate personnel system to expedite VOA's specialized language and other personnel needs; sought under three presidents.

— Increased Polish-language broadcasts from 2-1/2 to 7 hours daily since December 1981; message getting through despite intense jamming.

— Listenership in Poland has doubled in the past two years, according to a recently released analysis of radio listening habits in Eastern Europe.

— Some 11 and one-half million people now listen to VOA's Polish language broadcasts — a figure representing more than 40 percent of the country's adult population.

— In Czechoslovakia listenership rose from 26 to 35 percent, increase of more than a million listeners; in Romania, increase from 14 to 24 percent, with estimated 1.66 million listeners; in Hungary, up to a quarter of the population from previous estimate of 20 percent, and in Bulgaria, where broadcasts were heavily jammed, from 20 to 22 percent even before jamming was stopped, an increase of more than a quarter million people.

-- Inaugurated Pashto broadcasts to reach freedom fighters in Afghanistan more effectively; Azerbaijani for the Soviet Union, Northwestern Turkey and Iran; and Amharic for Ethiopia.

-- Heightened professionalism through appointments of seasoned journalists and professionals (Tomlinson, Levitsky, Pell, De Fontaine, Warner, and Pomar).

-- Appointed outstanding chief engineer (Maurice Raffensperger).

-- A little more than a year ago there were fewer than 20 degreed engineers on the staff. As a result of an intense advertising and recruiting campaign, the engineering staff has been reorganized and significantly expanded. We have added more than 60 engineers with degrees in that period.

-- Established editorials as a mechanism to convey U.S. government policies.

-- Established office of audience relations to increase overseas awareness of VOA, analyze audience reaction to VOA programs, and ultimately increase listenership.

-- VOA has issued and distributed its first listener magazine. There are 114,000 subscribers to the magazine.

-- Began new "Focus" program which gives in-depth treatment to major issues and reflects the "voices of America." Expanded "Opinion Roundup" to include syndicated columnists and leading magazine writers.

-- Added leading American commentators for "Viewpoint" program. These include Robert Novak, Mort Kondracke, Roger Stone, Alan Baron, Jeff Bell, Alan Ryskind and William Douglas, among others.

-- Expanded ecumenical religious programming into the Soviet Union and elsewhere. On Christmas Eve 1982, VOA carried the service from Washington's National Presbyterian Church. VOA's religious programming consists of parts of services from various faiths on religious holidays, supplemented by news on religious matters, principally from the language services and occasionally in English, along with religious music. We plan to increase religious programming to people living under regimes which do not permit religious freedom.

-- Effective June 19, 1983, VOA increased language broadcasts to Afghanistan from 2-1/2 to 3 hours daily. The new schedule offers a 90-minute block each morning and evening, divided evenly between Pashto and Dari (45 minutes each).

-- Also in June 1983, VOA increased coverage of Afghan-related news and information in its Farsi and Urdu broadcasts. These languages are understood by many in Afghanistan and are not jammed by the Soviets.

-- In addition, VOA consolidated in June 1983 the two 30-minute Urdu broadcasts and the two half-hour Hindi evening shows into a solid hour. The new formats allow more time for in-depth political, economic and area-related material.

-- After years of unsuccessful attempts, the summer of 1983 saw the resolution of a long-standing problem concerning accreditation and access of VOA correspondents to congressional radio and television galleries. Now, for the first time ever, VOA correspondents assigned to cover Congress will be able to seek the news, unimpeded, on precisely the same basis as the correspondents of other domestic and international broadcasters. This was accomplished through action by the executive board of the Congressional Radio-Television Galleries.

— USIS Wellington does not regularly contact VOA listeners in New Zealand, but it believes that "the few thousand VOA listeners among the general public in this small democracy have at least some influence on the political process." The post believes the new VOA listeners' magazine "may have significant program value." It will distribute the magazine to selected DRS audience members and facilitate distribution to the island nations of the South Pacific.

10. WIRELESS FILE

— Increased average number of words carried daily on Wireless File — to new average of 16,000 to 18,000 words carried in each of five regional transmissions five days a week, in English with editions in Spanish, French and Arabic versions.

— Initiated transmission of talking points on major foreign policy matters for use by ambassadors and others at U.S. missions overseas.

— For first time since establishment of USIS Suriname, wireless file distributed in Dutch, the country's primary language.

11. DEVELOPED ARMS REDUCTION CHRONOLOGY

— Following the highly successful USIA exhibit "SSOD 2," which was shown at USUN headquarters in New York during the U.N. Second Session on Disarmament, the Agency produced a pamphlet-sized chronology depicting the arms control and disarmament initiatives taken by the United States from the 1940's through the 1980's.

— The chronology has been used by the White House and throughout the U.S. foreign policy structure.

12. ESTABLISHED BLUE-RIBBON PANEL FOR INTERNATIONAL EDUCATIONAL EXCHANGES

— Panel advises USIA on public and private sector means of strengthening international educational exchange programs.

— Jointly sponsored by USIA, Board of Foreign Scholarships and Conference Board of Associated Research Councils.

Members:

Dr. Kenneth Prewitt	president, Social Science Research Council
Charles Wohlstetter	chairman, Continental Telecommunication
E. Victor Milione	president, Intercollegiate Studies Institute
Jason McManus	executive editor, Time magazine
Dr. Nathan Huggins	director, DuBois Institute, Harvard
Mari Ann Blatch	vice president for consumer and government affairs, Reader's Digest
Dr. Samuel R. Spencer, Jr.	president, Davidson College
Dr. Walter A. Rosenblith	professor, Massachusetts Institute of Technology
Dr. Nannerl Keohane	president, Wellesley College
Dr. Michael Joyce	executive director, the John M. Olin Foundation
Dr. Robert O'Neil	president, University of Wisconsin
Dr. Stephen A. McKnight	professor, University of Florida, former director of USIA's office of academic programs

13. ESTABLISHED ARTISTIC AMBASSADOR PROGRAM IN APRIL 1983

— Program conceived to use the wealth of often undiscovered musical talent in the United States.

— Competition is open to pianists of at least 22 years of age, who are neither currently under management nor have had a major debut. There is no maximum age level.

-- Artistic Ambassador program will send gifted American musicians on solo tours overseas.

-- Artistic Ambassadors will work with music students and conservatory faculties while living with host families overseas.

-- Four gifted pianists from the West and Southwest were selected November 17, 1983 from among 14 finalists who had auditioned in eight major Western cities to become the first participants in the program. Final auditions were held at the Library of Congress in Washington, D.C. Auditions for the Midwestern, Southern and Eastern regions are tentatively scheduled for later in 1984.

-- The Agency has commissioned American composers to write piano pieces to be played on the four Ambassadors' tours. Agency investigation indicates that this is the first time any government agency has held live auditions and commissioned American compositions specifically for a cultural presentation abroad.

-- Ambassadors are: Dean Kramer, touring Romania, Hungary, Malta and Egypt March 13-April 14, 1984; Nancy Weems of Houston, Tx., touring Norway, Denmark, Iceland, Moscow and Leningrad March 22-April 29, 1984; Steve Warzycki of Salinas, Calif., touring Uruguay, Brazil, Bolivia, Paraguay, Peru and Chile April 22-June 7, 1984, and Michael Caldwell of Albuquerque, N.M., touring Venezuela, Argentina and Colombia April 28-May 28, and Italy June 5-22, 1984.

-- Kramer gave three concerts during his tour in Romania and participated in a number of meetings with Romanian musicians. USIS Bucharest called his program a "significant success with an important impact on key figures in the Romanian music and artistic communities." The post congratulated the Agency on an exciting new program and the selection of an excellent performer to initiate it.

14. PRESIDENT'S INTERNATIONAL YOUTH EXCHANGE INITIATIVE

-- Exchange helps ensure mutual understanding -- the essential foundation of relations among nations.

-- In May 1982 President Reagan announced the establishment of the International Youth Exchange Initiative.

-- President Reagan named Director Wick as his personal representative for the Initiative.

-- Over the next three years, the President's Initiative will seek to increase youth exchanges by 15,000.

-- The first phase of the effort concentrated on expanding exchanges with the U.K., Canada, France, Germany, Italy, and Japan. The second phase, now in progress, extends the Initiative to several other countries, including Austria, Dominican Republic and the Ivory Coast.

-- At the 1983 Williamsburg Meeting, held January 23-26 in Williamsburg, Virginia, high-level government officials from Canada, France, the Federal Republic of Germany, Italy, Japan, the United Kingdom, and the United States planned an expanded exchange of young people among their countries.

-- Versailles Summit partners solidly support Initiative; during his official visit to the White House, Japanese Prime Minister Nakasone talked about his daughter who had been an exchange student in Michigan City, Indiana. As he spoke, the Prime Minister had tears in his eyes. Senator Percy mentioned this during Director Wick's appearance before the Senate Foreign Relations Committee in March 1983.

- President Reagan praised the youth exchange idea during his remarks at EPCOT Center on March 8, 1983. The President said then, "This is just the kind of approach that we're encouraging through the President's International Youth Exchange Initiative which I announced last May at the White House. ...let me say I'm convinced that people-to-people programs like World Showcase and the International Youth Initiative are one of the best ways to build real understanding in the world."

- During his April 1983 visit to Japan, Director Wick held talks with Japanese officials on ways to expand the President's International Youth Exchange Initiative. The Director presented a letter from President Reagan to the Prime Minister announcing a U.S. Senate-sponsored plan to send American youth to Japan as a counterpart to the Japanese Diet's program to send young Japanese to the United States.

- During his June 1983 trip to Germany, Director Wick discussed the International Youth Exchange Initiative and growing support for it from the private sector. Chancellor Kohl, in his speech at the Tricentennial ceremony in Krefeld, devoted four paragraphs to the subject of youth exchanges, promised an expanded FRG effort and specifically recognized Director Wick's part in fostering youth exchanges. President Carstens also called for increased youth exchanges with the U.S.

- Seven students from Summit nations met with heads of state or government at the Economic Summit meeting at Wiliamsburg, Virginia in May 1983.

- Three year commitment: U.S. Government to contribute $10 million, to be matched by $10 million in private U.S. contributions.

- Private sector has pledged $4 million dollars as of March 1, 1984 and $1,784,864 has been received. First $1 million pledge came from the President's Inaugural Trust.

- The first of the fund raising luncheons was held in Los Angeles on June 8, 1983 and was hosted by ARCO.

- A strong effort is being made to gain the support of the Contribution Directors of major corporations for the President's Initiative. Chairman Coy Eklund and Mr. Kenneth Albrecht have met with the Contribution Directors of Time, Inc., Exxon, AT&T, and CBS.

- The U.S. emphasis is on one-year academic homestay programs for young people, 15 to 19 years old. We need 15,000 American families to host these young people.

- Private exchange organizations in the U.S. are administering the programs. Examples of our private partners are AFS, the Experiment in International Living, and Youth for Understanding.

- The Initiative also includes short-term programs for young political leaders, and young people in the labor and agricultural sectors. Business internship programs will also be developed.

- The first groups to be exchanged under the Initiative arrived in their host countries in mid-July, 1983.

    - Six American Indian youths — to West Germany for a three-week exchange program organized by Arrow, Inc., a private organization devoted to the advancement and preservation of American Indian culture.

  - 32 Italian students -- to Washington, D.C. for six weeks for orientation and English language training before enrolling in various American colleges and universities for a semester.
  - 34 young members of Red Cross societies in Canada, France, Germany, Great Britain, Italy and Japan -- to Washington, D.C. for six-week tours of the U.S. as guests of 40 local Red Cross chapters.

- Ad Council campaign -- approved September 24, 1982 by the board. National campaign will give national visibility to the Initiative. The promotion will be worth $30 million in services and advertising.
- Ad Council campaign was introduced to members of the business press on Sept. 21, 1983 in New York City.
- Public service announcements developed for the campaign stress the importance of youth exchange to world peace and understanding. The ads -- which are being carried by television, radio and the print media -- encourage young people to go abroad on exchange programs and others to serve as "host families" to young foreign students.
- *Time* magazine carried a full page ad for youth exchange in a number of regional editions on Oct. 17, 1983.
- The governors of all 50 states proclaimed October 1983 "International Youth Exchange Month."
- President Reagan and President Kirchschlaeger of Austria announced the addition of Austria to the President's Initiative on Youth Exchange at the White House February 28, 1984. The Austrian program will begin in the summer of 1984 with an initial exchange of 20 American and 20 Austrian youth.
- Four hundred Italian high school students visited the U.S. from March 20 to April 11, 1984 as part of the Italian government's response to the Youth Exchange Initiative. The students represented all 20 regions of Italy.
- The U.S. program emphasizes the contribution of the private sector. President Reagan asked Director Wick to create the President's Council for International Youth Exchange. The Council, whose role is to raise funds, involve American business in the program, and advise on direction of the Initiative, includes over 90 chief executive officers of America's top firms:

Executive Committee

chairman	
Coy G. Eklund	recently retired chairman and CEO, Equitable Life Assurance Society
vice chairmen	
Ralph P. Davidson	chairman Time, Inc.
Robert E. Kirby	chairman and CEO, Westinghouse Electric Corp.
Dwayne Andreas	chairman and CEO, Archer-Daniels-Midland
Ralph Baruch	chairman of the board, Viacom International
J. Earl Burrell	president, PPG Industries, Inc.
Albert V. Casey	chairman and CEO, American Airlines, Inc.
Edward J. DeBartolo Sr.	chairman and Chief Executive Office, Edward J. DeBartolo Corporation
Charles A. Doolittle	president, Contract Surety Consultants
William H.G. FitzGerald	chairman and CEO, North American Housing Corp.
Armand Hammer	chairman and CEO, Occidental Petroleum
Karl Harr	president, Aerospace Industries Association of America
John Heinz	U.S. Senator, Pa.
E.A. Horrigan, Jr.	chairman and CEO, R.J. Reynolds Tobacco Company

J. Willard Marriott, Jr.	president, Marriott Corporation
Russell Mawby	president and CEO, W.K. Kellogg Foundation
Richard Nunis	president, Outdoor Recreation, Disney World and Disneyland
Thomas P. O'Neill III	president, Bay State Investors
Jesse Philips	chairman and CEO, Philips Industries, Inc.
Victor Posner	chairman, President and CEO, NVF Company
Stephen Rhinesmith	chief operating officer, Moran, Stahl and Boyer, Inc.
Henry Rogers	chairman, Rogers & Cowan, Inc.
Loret Miller Ruppe	director, Peace Corps
Gary Shansby	chairman and CEO, Shaklee Corporation
W. Clement Stone	chairman, Combined International Corporation
A. Lightfoot Walker	chairman, Executive Committee, City Investing Company
June G. Walker	executive director, President's Commission on Executive Exchange
Jack Wrather	chairman, Wrather Corporation
William H. Allaway	director, education abroad program, University of California
Robert O. Anderson	chairman, Atlantic Richfield Company
William S. Anderson	chairman and CEO, NCR Corporation
William F. Andrews	chairman and president, Scovill Inc.
Harris J. Ashton	chairman, president and CEO, General Host Corporation
William F. Ballhaus	CEO and vice chairman, Beckman Instruments
Thomas A. Bartlett	chancellor, University of Alabama system
Thomas M. Beckley	president, Soo Line Railroad Company
Drummond C. Bell	chairman of the board, National Distillers and Chemical Corporation
Robert Bendheim	chairman and CEO, M. Lowenstein Corporation
Linden Blue	president and CEO, Beech Aircraft Corporation
John S. Bowen	president and chief executive officer, Benton and Bowles, Inc.
Thornton F. Bradshaw	chairman of the board and CEO, RCA Corporation
Paula P. Brownlee	president, Hollins College
Robert J. Buckley	chairman of the board and CEO, Allegheny International, Inc.
Robert Charpie	president, Cabot Corporation
Donald C. Clark	president and CEO, Household International
Joseph E. Cole	chairman, Cole National Corporation
John R. Eastman	vice chairman of the board, Sheller-Globe Corporation
John A. Fibiger	president, New England Mutual Life Insurance Co.
Alec Flamm	president, Union Carbide Corporation
James M. Furman	executive vice president, MacArthur Foundation
Edward C. Gendron	president and CEO, Midland-Ross Corporation
Mrs. Thayer Gilpatric	President's Inaugural Trust
Robert Gray	chairman, Gray and Company
Thomas F. Grojean	president, Tiger International
Fred L. Hartley	chairman and president, Union Oil Company of California
Raymond A. Hay	president and chief operating officer, LTV Corporation
Richard L. Heffner	vice chairman, Guinness Mahon Incorporated
Glen A. Holden	chairman and president, Security First Group
James B. Holderman	president, University of South Carolina
Jerome H. Holland	director of various corporations and chairman, American Red Cross
Wayne Horst	president, Horst Enterprises, Inc.
J. Robert Killpack	president, National City Bank
William T. Knowles	president and CEO, National Bank of North America
Eugene P. Kopp	vice president, Washington Affairs Union Pacific Corporation
M. Joseph Lapensky	president and CEO, Northwest Airlines, Inc.
David A. Lewis	chairman and CEO, General Dynamics Corporation
Sherman R. Lewis, Jr.	president, Shearson/American Express
Philip E. Lippincott	chairman, president and CEO, Scott Paper

Preston H. Long	President's Inaugural Trust
Worth Loomis	president, The Dexter Corporation
Howard M. Love	chairman and CEO, National Steel Corporation
Leon Machiz	president, AVNET, Inc.
Kenneth A. Macke	president, Dayton-Hudson Corporation
Jacques G. Maisonrouge	chairman, IBM World Trade Corporation
David O. Maxwell	chairman and CEO, Federal National Mortgage Association
Harold W. McGraw, Jr.	chairman and CEO, McGraw-Hill, Inc.
James P. McLaughlin	United Parcel Service (retired president)
Martin Meyerson	chairman, University of Pennsylvania Foundation
David W. Mitchell	chairman and CEO, Avon Products, Inc.
Gary J. Neeleman	regional executive, United Press International
Richard G. Neuheisel	attorney at law, Richard G. Neuheisel, Ltd.
Charles W. Parry	president, Aluminum Company of America
Edmund T. Pratt	chairman of the board, Pfizer Incorporated
J. Mason Reynolds	president, Automotive Group, Bendix Corporation
Lewis Rudin	chairman, Association for a Better New York
Elton H. Rule	vice chairman, American Broadcasting Companies, Inc.
Donald Rumsfeld	president and CEO, G.D. Searle and Company
Glen L. Ryland	chairman, president and CEO, Frontier Airlines
Robert M. Schaeberle	chairman and CEO, Nabisco Brands, Inc.
Sam F. Segnar	president and CEO, InterNorth, Inc.
John D. Selby	Chairman and president, Consumers Power Company
Barton W. Shackelford	president and chief operation officer, Pacific Gas and Electric Company
Nicholas A. Sica	president, European American Bank and Trust Co.
William J. Sloboda	president, New York Board of Trade
Roger B. Smith	chairman of the board, General Motors
Sherwood H. Smith, Jr.	chairman and president, Carolina Power and Light Company
Ward Smith	president and chief administrative officer, White Consolidated Industries, Inc.
William P. Sovey	president, AMF Incorporated
Dr. Elwin V. Svenson	vice chancellor, institutional relations, UCLA
Mae Sue Talley	retired business executive, publisher and civic leader
Franklin A. Thomas	president, Ford Foundation
Richard L. Thomas	president, First National Bank of Chicago
Donald Trump	president, The Trump Corporation
Wilfred O. Uhl	president, Long Island Lighting Company
Norman Wellen	president and CEO, Business International Corp.
James R. Whelan	editor and publisher, Washington Times
Thomas A. White	consultant, Consolidated Natural Gas Company
James Wood	chairmand and CEO, the Great Atlantic and Pacific Tea Company
Herbert J. Young	CEO, Gibralter Financial Corp. of California

15. GERMAN-AMERICAN TRICENTENNIAL OBSERVANCE: 1983

— Underscored importance of U.S.-German friendship.

— President Reagan appointed the following members to the German-American Tricentennial Commission:

1. Ambasador Kenneth Rush, former Acting Secretary of State and Ambassador to West Germany. He is now chairman of the Atlantic Council and is co-chairman of the German-American Tricentennial Commission.

2. Horst G. Denk, chairman of Denk Banking Corporation of New York. Co-chairman of the German-American Tricentennial Commission.

3. Chief Justice of the United States, Warren E. Burger.

4. U.S. Ambassador to Germany, Arthur F. Burns, (ex-officio).

5. U.S. Senator, H. John Heinz of Pennsylvania.

6. Richard Burt, Assistant Secretary of State for European Affairs.

7. Judith S. Carver of Peoria, Illinois.

8. Fred F. Fielding, Counsel to the President of the United States.

9. Carlota Busch Giersch, of Pasadena, California. A long-time activist in the German-American community and a vigorous supporter of the Tournament of Roses parade.

10-11. Tobias and Traute Grether of Camarillo, California. Mr. Grether is presient of Grether Agricultural Corp., and Mrs. Grether is a first-gerneration German-American, born in Sindelfingen, Germany.

12. Noel Love Gross of Saddle River, N.J., president of Hudson Landing Corporation.

13. F. Otto Haas, director of the Rohm and Haas Company of Philadelphia.

14. Preston Long of New York, entrepreneur.

15. Flora Cameron Atherton of San Antonio, Texas.

16. The Honorable Charles Tyson, Deputy Assistant to the President of the United States for National Security Affairs.

Richard V. Allen, Distinguished Fellow at the Heritage Foundation, and former assistant to the President for National Security Affairs, is Chairman of the German-American Tricentennial Foundation.

The President asked USIA Director Charles Z. Wick to serve on the Commission throughout the Tricentennial year.

The following persons were named by the U.S. Senate and House of Representative to the Commission:

The Honorable
Charles McC. Mathias, Jr.
U.S. Senator, Maryland

The Honorable
Larry Pressler
U.S. Senator, South Dakota

Brig. General
Ben Lewis Rushing
United States Army (retired)

Mrs. Joy Dirksen Baker

The Honorable
Alan J. Dixon
U.S. Senator, Illinois

The Honorable
J. James Exon
U.S. Senator, Nebraska

The Honorable
Ernest F. Hollings
U.S. Senator, South Carolina

Mrs. Carmen Courter
19 Reese Avenue
Hackettstown, New Jersey

Ms. Elisabeth S. Gathen
1152 Timberview Trail
Bloomfield Hills, Michigan

Dr. Richard Lesher
President
U.S. Chamber of Commerce
Washington, D.C.

The Honorable
Toby Roth
House of Representatives
Washington, D.C. 20515

Mr. Robert C. Strodel
Strodel, Kingery & Durres
First National Bank Building
Peoria, Illinois 61602

C.William Kinzler
Cincinnati, Ohio

Goetz Grimm
Bloomfield Hills, Michigan

The Honorable
Gale W. McGee
U.S. Ambassador to the OAS

The Honorable
Frank E. Moss
Former Member of Congress

Judy Zehnder Keller
Frankenmuth, Michigan

Col. Walter Mannheimer
Watchung, New Jersey

Jurgen Herbst
Madison, Wisconsin

-- Director Wick also serves as chairman of the Inter-Agency Steering Committee on U.S.-German Contacts which brings together representatives of 22 U.S. Government departments and agencies.

-- The Committee considered current bi-lateral activities, publicized public and private efforts to promote contacts, and shared ideas and considered new ones on how to improve and enhance German-American exchanges.

-- A German astronaut was the first non-American to participate in a U.S. space flight in December 1983; two Tricentennial postage stamps were issued, one jointly as a German stamp; many local events took place throughout the U.S. and Germany.

-- Director Wick participated, along with other members of the Presidential Commission for the Tricentennial, in various activities in Bonn, Krefeld and Hamburg in June. The group manifested the American commitment to close and friendly relations with West Germany.

-- Tricentennial Year culminated with a celebration in Philadelphia on Oct. 6, 1983, to which President Reagan invited West German President Karl Carstens.

-- Sister Cities International sent letters to the more than 80 U.S. cities that have "partner links" with cities in West Germany, emphasizing the opportunity the Tricentennial offered for an increase in activity. Many of the U.S.-German partnerships are currently developing plans to expand their youth programs in support of the Youth Exchange Initiative.

16. INCREASED EDUCATIONAL EXCHANGE BUDGET

-- A total of $100 million has been provided in FY 1984 for selected exchange-of-persons programs. This sum, covering Fulbright, International Visitor, Hubert Humphrey Fellowship and private sector programs, represents an increase of 46 percent over the FY 1981 level.

17. THE UNIVERSITY AFFILIATION PROGRAM

-- In 1983, USIA began the first year of the worldwide University Affiliation Program, following initial pilot linkage projects in specific geographic areas. This program seeks to bring closer ties between U.S. and foreign colleges and universities through exchanges of faculty for as short a period as three weeks and as long as a year.

-- Grants of $50,000 or less were awarded to 29 university partnerships and will be spent over the next two to three years. These faculty exchanges focus on the social sciences, humanities, communication and education. The institutions receiving grants in this initial year ranged from community colleges to ivy league schools and included state colleges and universities throughout the United States.

18. FORMER PARTICIPANTS IN USIA EXCHANGE PROGRAMS

-- The number of current Chiefs of State/Heads of Government and cabinet-level officials who have participated in USG exchange programs administered by USIA increased during the past year.

-- In 1982, the Heads of State list totaled 36, compared to 44 now. Cabinet-level officials totaled 460, compared to 495 positions currently held by former exchange program participants.

-- Thus, an increasing number of key foreign decision makers have gained first-hand, in-depth knowledge of the United States through participation in our exchange programs.

19. ENGLISH TEACHING FUNDS RECYCLED

-- USIA obtained approval of Congress, attached to the December 1982 Continuing Resolution, to provide posts having English Teaching program activities with a new option -- recycling proceeds from direct teaching (actual teaching of English in classrooms) or sale of Agency materials into the English Teaching program.

-- $500,000 limit.

-- Four posts are already proceeding from the authority to recycle student fees. The first quarter has produced $17,800 from direct teaching and $192.00 from the sale of English teaching materials. This represents non-appropriated funds.

-- Some 35 posts are testing the market for Agency-produced English Teaching materials.

20. EAST-WEST CENTER INITIATIVES

-- Center programming more U.S. Government officials traveling to and through Honolulu.

-- More systematic distribution of Center publications to VOA and USIA's office of research.

21. PRIVATE SECTOR

-- Just as President Reagan is committed to using the vast pool of America's voluntary talent and energy in his programs, so we are committed to its use in telling America's story to the world.

-- Established committees to involve private sector talent, expertise in many areas of USIA's work, including radio programming and engineering, books and libraries, sports, motion pictures, public relations, and film artists.

-- Members of committees include among others: Charlton Heston, Kirk Douglas, Norman Podhoretz, Michael Novak, Sonny Werblin, Jack Valenti.

-- A group of film industry leaders has volunteered to assist USIA in acquiring films and videotapes -- the products of Hollywood, industry, academia, and educational and commerical television -- for showing to overseas audiences under the auspices of American embassies. The films will not be used for commercial sale or rental.

-- Leo Jaffe, chairman emeritus of Columbia Pictures, has agreed to chair this effort. The group will call on organizations who produce TV shows and films to ask for their cooperation. They will also coordinate the participation of internationally recognized movie, television and sports figures in travels abroad to tell the world about America.

FILM ACQUISITION COMMITTEE MEMBERS

Leo Jaffe, Chairman	chairman emeritus, Columbia Pictures Corp.
J. William Hayes	chairman, chief executive officer, Executive Business Management, Inc.
John H. Mitchell	president, Academy of Television Arts & Sciences, former president, Columbia Pictures-TV
Bernard Myerson	president, Loew's Theatres
Milton Rackmil	former president, Universal and Decca Records
Michael Frankovich	chairman, Screen Gems, Ltd.
Leonard Gruenberg	chairman of the board, Filmways, Ltd.
Irving Mitchell Felt	chairman emeritus, Madison Square Garden, Inc., chairman of Republic Coporation
Elton Rule	vice chairman of the board, American Broadcasting Companies, Inc.
Herbert Schlosser	executive vice president, RCA
Willie Mays	member of the Baseball Hall of Fame
Mo Rothman	former vice president for worldwide sales, Columbia Pictures
Saul Jefee	chairman and president, Movielab
Steven Stamus	vice president for public affairs, Exxon Corporation
Jay Iselin	president, WNET
Beverly Sills	general director, New York City opera
Fay Kanin	vice president, Academy of Motion Picture Arts and Sciences
Mrs. Terry Allen Kramer	Allen and Company
Geroge Stevens, Jr.	co-chairman, American Film Institute
Hal David	President, ASCAP
Jack Valenti	President, Motion Picture Association of America

— In his first ten weeks of operation, Mr. Jaffe acquired for the Agency, free of charge:

1. The Philip-Morris Collection of Films on American art and artists
2. ABC World News Tonight (for in-house use only overseas)
3. "Live at Lincoln Center" -- a series of 50 films
4. Charlie Chaplin series of classic motion pictures

-- Through arrangements made by Mr. Jaffe, USIA has reached an agreement with Jay Iselin, President of WNET, giving USIA full access to a number of excellent programming WNET/THIRTEEN produces and/or co-produces. WNET will also weigh in on USIA's behalf with other PBS stations around the country if they have produced something we desire.

— We expect this arrangement to produce many excellent programs for U.S. missions worldwide.

-- In cooperation with the Sports Committee, U.S. private sector (Pan Am, Madison Square Garden) and African ministries of sports, USIA sent five Indiana basketball coaches to Africa for four weeks in July-August 1983 to demonstrate American basketball techniques and to help African coaches prepare their teams for 1984 Olympics. Coaches donated services, cost to USIA approximately $20,000 (per diem, transportation within Africa).

-- Converse Sports Products, Inc. has reorganized its marketing program in an effort to break its identification as a one-product company (court shoes) and to aggressively seek foreign markets. As part of this effort, it has agreed to equip a select number of African Olympic organizations with training and competition equipment. Converse also has agreed to provide equipment for all African Olympic contenders as well as for USIA-sponsored Olympic training camps in Nigeria, Zambia and Zimbabwe.

-- USIS posts in Africa are cooperating in this project by ascertaining local requirements and arranging formal presentations. Selected organizations to be outfitted through training, trials and the Games represent Olympic teams in Zimbabwe, Senegal, Ivory Coast, Cameroon, Zambia, Tanzania, and Nigeria.

- There are no line costs to the Agency. Posts are handling programs from GOE, and shipping is handled by pouch.
- Encouraged by USIA in 1983, Pan Am and TWA have provided travel for teams and coaches in return for promotional support. USIA's last sporting venture in Africa (five coaches/twenty program weeks) cost $500 per week to the U.S. Government compared to the $1,500-plus per week that an AmPart can cost. In addition, U.S. companies in Africa have contributed or are planning to contribute to USIS training camp programs. Mobil/Nigeria and Heinz/Zimbabwe are two of the largest potential donors.
- Philip Morris Incorporated donated $25,000 to support USIA's Olympics-oriented sports exhibit "The Contenders." One hundred sets of the exhibit will be shipped to U.S. embassies around the world in late spring, 1984.
- Growing out of a meeting Director Wick held with ASCAP (American Society of Composers, Authors and Publishers) representatives, a pilot program on the musical contributions of lyricist Hal David is the planned first step in a possible co-production series with ASCAP, the oldest performing rights licensing organization in the U.S. The purpose of the series would be to highlight the outstanding work of some of America's greatest contemporary composers and lyricists. Good visually-oriented programs on American music and dance have always been big attractions at our posts abroad, so TV placement worldwide is virtually assured.
- Through the efforts of USIA Regional Youth and Sports Officer Malvin Whitfield, Mobil Corporation has donated nearly 1 million dollars in foreign currency in support of USIA's educational and cultural program in Nigeria.
- As a result of the donation, a multi-national pre-Olympic training camp will be held in Nigeria in May 1984, for which USIA will provide overall organizational support and will recruit American coaches.
- Similar proposals for the exchange of foreign currency by private corporations are under way in Zambia and Harare.

22. AGENCY MOBILIZATION OF PRIVATE SECTOR TO SUPPORT AMERICAN CULTURAL PRESENTATIONS IN LATIN AMERICA

- When Mexico's financial crisis threatened to force withdrawal of a number of major American cultural groups, USIS Mexico, with support of Chase Manhattan Bank, Avon and Chrysler Corporation of Mexico, guaranteed contracts for the Jose Limon Dance Company, Juilliard String Quartet and the Museum of Modern Art's show entitled "Print Art in the Seventies." During the summer of 1982, USIA also co-sponsored, with a number of private sector firms, the tour of the New York Philharmonic to Argentina, Brazil, Chile, Ecuador and Venezuela.

23. LOS ANGELES FOREIGN PRESS CENTER

- On September 27, 1982 USIA opened a Foreign Press Center in Los Angeles. The center assists visiting and resident foreign journalists cover stories in the United States.

24. SAN FRANCISCO INTERNATIONAL VISITORS CENTER

- The International Visitors Center in San Francisco, a private volunteer organization which has worked with USIA for 30 years, assumed in April 1983 the duties of USIA's San Francisco Reception Center.

- After an initial period of 19 months assisted by a USIA grant of $10,000, the new Center is expected to run at no cost to the U.S. Government, a savings of approximately $250,000 a year.

- This transition is an example of President Reagan's wish to strengthen the private sector's role in government affairs.

25. USIA WORKING WITH NICOLAS SALGO ON THREE INITIATIVES FOR HUNGARY

- On June 20, 1983, Ambassador Nicolas Salgo successfully culminated eight months of negotiations with the Hungarian Ministry of Culture and Education by signing an agreement establishing the Otto Salgo Chair of American Studies at Budapest's ELTE University.

- At the signing ceremony toast, ELTE University Rector Eorsi praised the agreement, noting that "the university gains a professor to augment its programs and thus the U.S. has the possibility to spread American culture to Hungary's benefit." Named after Nicolas Salgo's father, the chair will be funded for ten years by the Salgo-Noren Foundation of New York.

- An exhibit of Hungarian metalwork at an American museum; Washington's Renwick Gallery has expressed interest in mounting an exhibition in 1985.

- The videotaping of a Hungarian passion play for review by American producers; P & C Budapest exploring this with Hungarian authorities.

- Dr. Manfred Jonas, Washington Irving Professor of Modern Literature and Historical Studies at Schenectady's Union College, is the first Otto Salgo chairholder. Dr. Jonas began teaching courses on American history and institutions through the present day in September 1983.

26. TRAVEL ADMINISTRATION

- In 1982 the Agency began particpating in an experiment under GSA auspices whereby a commercial travel agency would process official travel.

- Use of a travel agency resulted in a net savings of four positions and an annual reduction in salary and benefits expenditures of approximately $80,000.

27. AGENCY TASK FORCE ON AFGHANISTAN

Among the activities organized by the Task Force have been a visit by Kirk Douglas to Pakistan refugee camps, filmed and shown in some 70 countries; Afghanistan Week programs at 74 USIS country posts; and inauguration of the Agency's Afghanistan Digest, the first issue of which was satellited to 12 countries, and airshipped to an additional 45 for TV placement.

28. INITIATIVE ON POLAND

USIA mounted a major campaign to raise public awareness of the continuing repression in Poland, timed to coincide with the first anniversary of the imposition of martial law (December 13). Recent Solidarity visitors and our Embassy also report that the Polish people depend now on VOA's Polish service for fast and accurate news.

29. WILLIAMSBURG SUMMIT (MAY 1983)

The Agency's extensive information support throughout the Summit and the key pre-Summit role played in formulating and interpreting public affairs themes and objectives contributed to what both American and foreign observers have called one of the most successful meetings of world leaders.

30. WIRE SERVICE IN THIRD WORLD

— USIA has been instrumental in stimulating Third World interest in the use of American wire services.

31. KOREAN AIRLINE INCIDENT -- USIA ACTIVITIES

In the hours and days following the destruction of the Korean airliner on Sept. 1 by the Soviets, USIA mobilized its resources in singleminded support of urgent U.S. diplomatic initiatives around the world. The results of our efforts were positive and measurable.

— The most striking example of our work was an 11-minute videotape documenting the stalking and shooting down of the unarmed KAL plane by Soviet fighters.

-- Ambassador Jeane Kirkpatrick's dramatic presentation of this recording in the U.N. Security Council convinced even skeptics that Soviet pilots had indeed shot down the airliner. This was the first time a video document had been used in a Security Council debate. Its impact was substantial, both at the United Nations and in replays around the world.

-- The Voice of America added one hour of Russian-language programming to the USSR, for a total of 17 hours daily. VOA also increased its daily transmitter hours and doubled its transmitters broadcasting to the USSR. It carried live President Reagan's September 5 address to the American people, with the Russian-language version one hour later. The President's radio address of September 10 was given similar treatment.

-- The Agency's Wireless File carried a steady stream of documentation in the form of official texts, briefing materials, and other supporting material.

-- Public affairs officers and their staffs in USIA's 126 posts around the world integrated print and audio-visual materials into cohesive informational programs directed at all influential Mission contacts.

-- Media reaction reports from our posts around the world were of great assistance to the President and the leaders of U.S. foreign affairs agencies.

— A 30-minute videotape sampling world reaction to the tragedy was released for distribution overseas through 51 United States embassies. The videotape -- one of 23 programs prepared by USIA in connection with the incident -- contained television news reports from Canada, Brazil, New Zealand, Chile, Australia, Sweden, and Japan.

32. GRENADA

Following on the Korean Airline incident, USIA again mobilized its resources to assist in telling the world about the rescue operation in Grenada.

-- The Voice of America carried live the October 25 announcement and press conference by President Reagan and Eugenia Charles, Prime Minister of Dominica and head of the Organization of Eastern Caribbean States; Secretary of State Shultz's October 25 press conference, and the President's speech of October 27.

— USIA print, radio and television services covered and transmitted widely, statements by other government officials.

- USIA's print and broadcast media, as well as its internal telegraphic channels, carried numerous background reports and programs on Grenada.

- Agency personnel worked closely with the Departments of State and Defense on the Grenadian situation.

- On November 3, via EURONET, a special two-hour satellite press conference provided key European editors the opportunity to directly question Ambassador Jeane Kirkpatrick in New York, Prime Ministers Adams and Compton in Barbados, as well as Department of State experts in Washington.

33. AGENCY LIBRARY CONSOLIDATION

-- Plans were approved on December 22, 1983, for consolidation of the functions of the Agency's domestic library (managed by the Bureau of Programs) with those of the overseas libraries (managed by the Bureau of Educational and Cultural Affairs).

-- Having one library function will result in program improvements, cost savings, eliminate confusion, and reduce paperwork for domestic and overseas elements.

-- Ten positions will be eliminated at an annual salary savings of almost $200,000. Other Agency positions will be shifted to overseas library functions which were understaffed.

34. SUPPORT FOR OVERSEAS POSTS

- USIA was instrumental in having the White House News Summary distributed to various embassies overseas. The Summary enables the ambassadors and other embassy officials to stay in close touch with daily events happening in Washington as they perform their duties.

- USIS Belgrade reports that the senior staff at the American Embassy in Belgrade thinks the White House News Summary is a "valuable and timely supplement" to the Wireless File, and fills a real need for a "terse, factual summary of major U.S. and foreign issues." In light of this, the Embassy has agreed to provide funding for the cost of the daily telephone transmission.

35. HOUSING SUPPLEMENT FOR NEW YORK EMPLOYEES

- Under a Senate amendment to the United Nations Participation Act of 1945, a number of USIA employees assigned to the United Nations and to the New York Foreign Press Center will be granted a housing allowance comparable to that provided to employees of the staff of the U.S. Mission to the United Nations. The allowance is to compensate for the portion of expenses necessarily incurred by the employee for quarters and utilities required, because of important representational responsibilities, to live in the extraordinarily high-rent area surrounding the United Nations.

OBJECTIVE PROGRAMMING

QUESTION:

Does VOA broadcast music, programs, and editorials that are objective enough to portray the United States in a realistic and accurate light?

Are there concerted efforts made on the part of VOA's Director to "propagandize" the principles and issues that are a part of the United States?

ANSWER:

The Voice of America operates under the mandates of public law 94-350 -- a Congressional Charter signed into law in 1976. That Charter clearly states the VOA's mission.

First, it says the VOA shall serve as a consistently reliable and authoritative source of news. VOA news will be accurate, objective and comprehensive.

We believe that charge has been met in every instance. VOA news is precisely what it is supposed to be. We continue to subscribe wholeheartedly to the statement made in the VOA's first broadcast in 1942 that the news may be good or bad but we shall broadcast the truth.

Second, the Charter says: VOA will represent America, not any single element of American society, and will therefore present a balanced and comprehensive projection of American thought and institutions.

Again, we believe that mandate is being scrupulously fulfilled. The VOA Director, Mr. Tomlinson, has for example, stressed that his goal is to see that the Voice of American reflects the voices of America. I believe he has been remarkably successful in achieving that. VOA programs, be they music, documentary, science, education, religion or any other subject, embrace a wide spectrum of views, and the creators of those programs are specifically charged with making certain that they do. In this context I might specifically point to VOA's comprehensive coverage of the 1984 election campaign which has already been characterized by complete, accurate, and balanced coverage of the Democratic Party primaries. This has been coupled with extensive reporting on the U.S. election process itself, its history, its meaning, and its pluralism.

Third, the VOA Charter requires that VOA will present the policies of the United States clearly and effectively and will also present responsible discussion and opinion on those policies.

This mandate of the charter is fulfilled through the VOA Office of Policy, which prepares the editorial commentary and which is purposefully divorced from the VOA's news operations. We look upon our editorial product in the same way that major American newspapers approach their editorial pages. In other words, this is the place where the publisher has his say - the publisher in this instance being the U.S. Government. Editorial opinion has no place in the news product or in the other programs produced by the Voice, and it does not have any.

There have been absolutely no concerted efforts made on the part of VOA's Director to "propagandize" the principles and issues that are a part of the United States. There has been a concerted effort to professionalize the VOA's product. This has meant far greater attention than in the past to proper journalistic principles, an absolute requirement for balance in VOA's reporting, greater attention to the proper editing function of any journalism enterprise, and an insistence that all sides of issues must and shall be presented.

QUESTION:

Is there any truth to the allegations made by Arthur Imperatore?

ANSWER:

Neither hearings held by the U.S. Advisory Commission on Public Diplomacy on issues raised by Mr. Imperatore nor an investigation conducted at my direction by the Office of the General Counsel and Congressional Liaison into these issues revealed evidence of any corruption or fraud on the part of senior Agency officials. Furthermore, there were no charges, complaints or adverse information presented by Mr. Imperatore of which the Agency was not already aware at the time of his resignation as Ombudsman on April 27, 1982 and with respect to which appropriate action had not already been initiated and has not subsequently been completed.

In his letter of resignation, Mr. Imperatore concluded that he could "no longer be associated with the mismanagement, waste, inefficiency and concern about the possibilities of corruption and fraud which remain unaddressed and unabated." Within two days of my receipt of this letter, I reported the matter to the Attorney General and Comptroller General of the United States and to the Chairman of the President's Council on Integrity and Efficiency. Within a week after its receipt of the letter, the Advisory Commission, in keeping with its statutory oversight responsibilities, met in closed session, first with Mr. Imperatore and then with senior Agency officials, to review the issues raised in the letter.

The Commission chairman informed me by letter dated May 12, 1982 that "the Commission found no evidence of any corruption and fraud on the part of the Director of [ICA] or his senior associates" and that "the Commission was advised that concerns about matters involving possible corruption and fraud by [ICA] employees at a lower level [were] being handled by the appropriate investigatory offices of the Agency in the regular course of its business."

In light of both the Commission's findings and the findings and conclusions presented by the Office of the General Counsel and Congressional Liaison in its Report of Investigation completed on November 29, 1982, I considered the matter concluded, as there appeared to be no reason to pursue the issues further.

QUESTION:

Why was Leonard Silverstein made the chief investigator?

ANSWER:

In connection with its oversight responsibilities, the Advisory Commission on Public Diplomacy met in closed session May 5, 1982 with Mr. Imperatore to discuss his allegations of mismanagement, waste and inefficiency in the U.S. Information Agency. Leonard L. Silverstein, who served as Chairman of the Commission from August 18, 1981 to September 22, 1982, chaired this meeting. Mr. Silverstein was not the chief investigator.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS TO EEOC

STATE AND LOCAL AGENCIES

Senator Hollings: Page 6 of the justification speaks of adequate funding for the State and Local 706 Agencies "to continue in a full partnership with the Federal Government in expeditiously resolving charges."

What kind of "full partnership" do we have when the Commission budget increases by $7,000,000, but payments to the 706 Agencies are held level at $19,000,000?

Mr. Thomas: The $7,000,000 increase for EEOC is a reflection of mandatory increases for which the Agency has no control (SLUC, comm telephone and postage) and 50 additional FTE. The FEP Agency would have to go back to its State legislature for these increases.

Senator Hollings: As you know, a key feature of the 1964 Civil Rights Act requires the EEOC to give equivalent State and Local agencies the first opportunity to process cases under State and Local law. Deferral arrangements were at the heart of the provisions incorporated into the 1964 Civil Rights Act by Senators Humphrey, Dirksen and others. I would have thought that the Reagan Administration with its calls for greater reliance on the states would have embraced this feature. Do you really want a "full partnership" with the 706 Agencies?

Mr. Thomas: The answer is a most emphatic yes. Not only do we want one, but we have been working very hard to achieve one for the last several years and believe that we now have reached that goal. The certification program which we have implemented is a prime example of our full partnership. Under this program, when an agency has demonstrated the ability to meet our standards, they are certified to act on our behalf and we no longer review each agency's investigations or actions before adopting their findings as our own.

Senator Hollings: Over the last year, I have heard from many of the 706 agencies. They tell me that EEOC currently contributes about $400 per charge processed by the 706 agencies. They conservatively estimate the Federal cost of processing charges at $1,400 per charge. It is not in the plaintiffs', as well as the taxpayers' interests, to have as many of these charges as possible processed at the State and Local level?

Mr. Thomas: Please refer back to my answer to a previous question regarding the funding/productivity ratio of the agencies and of EEOC. In that answer, I pointed out that the funding which is provided to the agencies by EEOC is only a part of the total budget of the agencies. Each agency's budget is based upon funds from the State or Local jurisdiction in which the agency is located. Agencies are funded by EEOC, to the extent such funding is available, to process as many charges as they can efficiently absorb into their workload.

Senator Hollings: It is not correct that 80 of the 706 Agencies now have powers equal to or greater than those given to EEOC?

Mr. Thomas: In order to be funded by EEOC, one of the criteria which must be met is that the State or Local agency must have the power equivalent to EEOC's to "grant and seek relief." Since these agencies are acting as our agents, it is imperative that the Agency be empowered to provide relief to a charging party which is at least that would be available from EEOC. We do not have contractual relationships with agencies whose power is less than the Federal standard.

Senator Hollings: Am I correct that the Commission is not absorbing any of the additional costs of the pay raise in 1984?

Mr. Thomas: Your statement is correct. The Commission does not foresee absorbing any of the 1984 pay raise costs.

Senator Hollings: Is it not also correct that the $2,640,000 provides for nine months of additional costs of the pay raise, or the period January 1 to September 30, 1984.

Mr. Thomas: Your statement is correct. The $2,640,000 provides for nine months of additional costs which equates to 190 compensable days that the pay raise will be in effect in FY 1984.

Senator Hollings: Is it not also correct that in 1985, a base addition is needed only to cover the other three months, since 9 months of the additional costs are already in the base.

Mr. Thomas: A 1985 base addition is needed to cover the other 3 months which equates to 71 compensable days for a value of $987,000

Senator Hollings: Should not the base addition be roughly 1/3 of the 1984 supplemental request of $2,640,000 or $880,000 instead of the $2,696,000 increase shown on page two.

Mr. Thomas: The $2,696,000 base increase is comprised of all increases that will affect pay changes in 1985 including the annualization of the 1984 pay raise. The components of the pay changes are:

o Annualization of 1984 Pay Raise	$ 987,000
o Annualization of 1984 WIG's	531,000
o Annualization of 1984 Promotions	797,000
o Annualization of 1984 Merit Pay	381,000
	$2,696,000

Payments to Commissoners

Senator Hollings: How often did the Commission meet in Calendar 1983?

Mr. Thomas: The Commission met 39 times in Calendar Year 1983.

Senator Hollings: What is the authority for the compensation of members of the Commission and what rate of compensation is prescribed?

Mr. Thomas: The authority for the Chairman's compensation is Title 5, U.S. Code, Section 5314, which prescribes Level III of the Executive Schedule, the current annual rate of which is $70,800 paid on a monthly basis.

Section 5315 sets the compensation of members of Level IV of the Executive Schedule, the current annual rate of which is $69,600 paid on a monthly basis.

Senator Hollings: How much of the compensation earned by each Commissioner in Calendar Year 1983 was for days actually attending Board meetings?

Mr. Thomas: The annual rate prescribed presumes full-time service, including attendance at meetings.

Senator Hollings: What are the procedures for compensating Commissioners for days worked, but not attending Commission meetings?

Mr. Thomas: The annual rate prescribed presumes full-time service, including attendance at meetings.

Senator Hollings: Please provide a list of the compensation paid each Commissioner in 1983 showing the days spent, and compensation for other than Board meetings with an indication of the activities involved?

Mr. Thomas: The annual rate prescribed presumes full-time service, including attendance at meetings.

Senator Hollings: How much did each of the Commission members receive in compensation during Calendar Year 1983?

Mr. Thomas: The monthly rate for the total number of months served.

Budget Presentation

Senator Hollings: Mr. Thomas, I noticed that your justification is stamped "Administratively Restricted." I don't blame you. I would not want anyone to see it, particularly President Reagan or David Stockman.

President Reagan did not transmit the Fiscal Year 1985 Budget until February 1, 1984, and the Commission's justifications were not received by the Subcommittee until late February. With all this time to prepare the budget document we find many conflicting items in the 1985 presentation. For instance:

The language on page I-Y16 of the 1985 Budget Appendix indicates that the payments to the State and Local Enforcement agencies are to decrease to $18,000,000 in 1985. The Appropriation Language submitted in the justifications shows that such payments are to remain at $19,000,000.

Which is correct?

Mr. Thomas: The funding to the State and Local Enforcement Agencies is to remain at $19,000,000 in Fiscal Year 1985. The Office of Management and Budget will be sending an administrative correction to change the printing error in the Appropriation Language on Page I-Y16.

Senator Hollings: The Personnel Summary in the Appendix also indicates that the EEOC will have 3,127 positions and 3,125 full-time equivalent employment in both Fiscal Years 1984 and 1985. Mr. Thomas, your statement says at the top of page 2 that the budget level for 1985 "is actually 50 positions more than was funded by Congress in this (1984) fiscal year." Again, which is correct?

Mr. Thomas: Actually Senator Hollings, both the Personnel Summary in the Appendix and my remarks are both essentially correct. Please let me explain. For FY 1984, the President requested and Congress, initially approved a staffing level of 3,125 full-time equivalent employment for the Commission. During the budget reconciliation process the Commission's FY 1984 budget request was reduced by $1,529,000. To effectuate this reduction, the Commission being extremely labor intensive, was forced to make the reduction in Salaries and Benefits thereby causing a reduction of 50 full-time equivalent staff years.
With respect to the Personnel Summary in the Appendix, after extensive consultation with the Office of Management and Budget (OMB) it was decided to reflect the Commission's FY 1984 ceiling rather than our initial planning figure of 3,075 full-time equivalent employment. Since I had requested that my staff thoroughly review the Commission's FY 1984 Financial Plan with the emphasis on achieving any and all possible non-programmatic economies and efficiencies, all savings from this review would immediately become available for increasing employment in critically needed areas. My staff has assured me that full-time equivalent employment will fall somewhere between the planning figure (3,075) and the employment ceiling (3,125), however, I cannot, at this time tell you exactly what our actual employment for the year will be. I can assure you that

I will make every possible attempt to see that adequate personnel resources are available to carry out the Commission's mandate.

Processing of Charges

Senator Hollings: As admitted in the justifications, the inventories of pending cases are expected to rise significantly during Fiscal Year 1985. At the Federal level, there will be 20,000 more cases in the inventory, or a 50 percent increase over last September's count. Put another way, the backlog of cases will constitute nearly 9.5 months of work.

--"Justice delayed is justice denied" - does not the Reagan Administration find this situation intolerable?

Mr. Thomas: We are watching our inventory very closely and are taking all possible steps to assure that the processing of charges is not unnecessarily delayed. Our figures on the pending inventory do not mean that it will take 9.5 months to process every charge or complaint of discrimination. Over one-half of our charges should be processed in an average of 120 to 150 days. On the other hand, charges which should receive a thorough investigation will receive such an investigation.

Senator Hollings: Did the EEOC request sufficient funds of the OMB to process the backlog in FY 1985?

Mr. Thomas: EEOC projects no backlog in FY 1985 as cases are not more than 300 days old.

Senator Hollings: How many workyears does the Commission expect to obtain from other than permanent personnel in Fiscal Years 1984 and 1985?

Mr. Thomas: The Commission expects to obtain 48 other than permanent personnel workyears in Fiscal Years 1984 and 1985.

Senator Hollings: According to the Appendix to the President's Budget, the Commission will have the same number of positions and workyears for both Fiscal Years 1984 and 1985 (3,127 and 3,125 respectively). Why then is there an increase of $1,470,000 "to fully cover compensation and benefits costs of authorized staffing level of 3,125 FTE positions?"

Mr. Thomas: During the budget reconciliation process the Commission's FY 1984 budget request was reduced by $1,529,000. To effectuate this reduction, the Commission being extremely labor intensive, was forced to make the reduction in Salaries and Benefits thereby causing a reduction of 50 full-time equivalent staff years.

With respect to the Personnel Summary in the Appendix, after extensive consultation with the Office of Management and Budget (OMB) it was decided to reflect the Commission's FY 1984 ceiling rather than our initial planning figure of 3,075 full-time equivalent employment.

Senator Hollings: How many additional workyears will the $1,470,000 buy?

Mr. Thomas: The $1,470,000 will provide funding for 50 additional staff-years.

Senator Hollings: Why won't the additional workyears enable you to process more of your backlog?

Mr. Thomas: At least for the foreseeable future, any additions to staff in the Field for compliance enforcement activities will be devoted primarily to filling clerical support positions, where we are experiencing the greatest understaffing.

Senator Hollings: What would the appropriation have to be in Fiscal Year 1985 to keep the backlog at the 42,086 level of September 30, 1983, or even the 50,786 level projected for next September?

Mr. Thomas: The workload is at a manageable level and can be handled by the staff level requested. EEOC is willing to absorb a slightly higher inventory to do a better quality job in investigating the charges it receives.

BENEFITS

Senator Hollings: In 1983, the charges closed by EEOC resulted in benefits of $147,876,000. Please explain why the benefits are projected to drop by more than $50,000,000 in Fiscal Year 1984 while the closed cases remain level.

Mr. Thomas: Our 1983 ~~benefits figure in~~ your submission included a very large settlement in one case involving a retirement policy. The calculation of benefits in this area is relatively new for the Commission and an issue on which there has been little guidance. We have reviewed the computation of benefits in that case and have decided to preliminarily omit its $57,029,359 from our total benefits pending deliberations by a

Task Force on computation of benefits. The new figure for 1983 benefits should be $90,846,641. This figure may be adjusted upward based on the outcome of the Task Force deliberations.

As a result of the revised FY 1983 benefits figure, there is no benefits decrease in FY 1984 or FY 1985.

SUBCOMMITTEE RECESS

Senator Laxalt. This concludes our hearing this morning. The subcommittee will next meet on Wednesday, April 4, at 9:30 a.m. when we will receive testimony from the Federal Bureau of Investigation, the Federal Trade Commission and the U.S. Trade Representative.

(Whereupon, at 12:30 p.m., Wednesday, March 28, the subcommittee was recessed, to reconvene at (:30 a.m., April 4, 1984.)

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

Page

Allen, Carole H., chairman, Help Endangered Animals—Ridley Turtles (HEART), prepared statement by 296
Alperin, Irwin M., executive director, Atlantic States Marine Fisheries Commission, joint prepared statement 21
American Fisheries Society, prepared statement by 282
American Society of Civil Engineers, prepared statement by 280
Arnold, Richard D., Director, Office of Finance and Budget, International Trade Commission 563
Association of American Universities, American Council on Education, National Association of State Universities and Land-Grant Colleges, prepared statement on behalf of 315

Baker, John, general counsel, Baptist Joint Committee on Public Affairs 43, 62
  Prepared statement 64
Baldrige, Malcolm, Secretary of Commerce 451
  Letter from 467
  Prepared statement 453
Beach, B.B., director, Department of Public Affairs and Religious Liberty, General Conference of Seventh-Day Adventists, prepared statement 44
Bradley, Father Harold, S.J., special assistant for Federal relations, Georgetown University 137, 158
  Letter from 163
  Prepared statement 159
Buckley, James L., RFT/RL Inc 341
Bulow, Kay, Assistant Secretary for Administration; Department of Commerce 451
Bussey, John D., Baptist Ministers Conference of Washington, DC and vicinity 84,107
  Prepared statement 109

Calio, Anthony J., Deputy Administrator, NOAA 451
Campbell, Tom, Associate Managing Director for Operations, FCC 611
Christensen, Bruce, president, National Association of Public Television Stations 116
  Analytical supplement 128
  Prepared statement 118
Collins, Father T. Byron, S.J., assistant to Georgetown University president, letter from 161
Conner, Roger, executive director, Federation for American Immigration Reform 164
  Prepared statement 166
Cookingham, Russell A., director, New Jersey Division of Fish, Game and Wildlife, International Association of Fish & Wildlife Agencies (national marine fisheries) 1, 14
  Prepared statement 16
Corell, Robert W., director of marine programs, University of New Hampshire, National Association of State Universities and Land-Grand Colleges (sea grant) 1, 3
  Prepared statement 5
Cutter, M. Rupert, executive director, the Environmental Fund 164, 172
  Prepared statement 174

Page

Datt, John C., secretary and director, Washington office, Bureau Federation, prepared statement by ... 314
Department of Environmental Conservation, prepared statement by ... 267
Doerr, Edd, executive director, Americans for Religious Liberty ... 43, 57
  Prepared statement ... 60

Eckes, Alfred E., Chairman, International Trade Commission ... 563
  Prepared statement ... 564
Cogdell, Gaston, elder, Clifton Church of Christ ... 43, 56
Evans, Robert D., director, governmental affairs group, American Bar Association, prepared statement ... 264

Fein, Bruce, General Counsel, FCC ... 611
Feedman, Roger B., Comptroller, Department of State ... 675
Fishel, Andrew, Director, Financial Management Services, Equal Employment Opportunity Commission ... 401
Fitch, Michael, Deputy Chief, Private Radio Bureau, FCC ... 611
Foosaner, Bob, Chief, Private Radio Bureau, FCC ... 611
Fowler, Mark, Chairman, Federal Communications Commission ... 611
  Prepared statement ... 614
Freedom Federation; Committee on International Broadcasting, prepared statement by ... 334

George, Father William L., S.J., special assistant for Federal relations, Georgetown University ... 137, 158
  Letter from ... 163
  Prepared statement ... 159
Gereben, Istvan B., executive secretary, Coordinating Committee of Hungarian Organizations in North America ... 137
  Letters from ... 145, 147
  Prepared statement ... 139
Gittins, Thomas, executive vice president, Sister Cities International, the Consortium for International Citizen Exchange ... 137, 150
  Prepared statement ... 152
Gutting, Richard E., Jr., vice president, Government relations, National Fisheries Institute, prepared statement by ... 308

Hartman, G. Weir, Ohio Association for Public Education and Religious Liberty ... 84, 101
  Prepared statement ... 102
Haggart, Veronica A., commissioner, International Trade Commission ... 563
Haley, Reginald, Budget Officer, Commission on Civil Rights ... 437
Haynes, Lawrence H., Comptroller, Securities and Exchange Commission ... 363

Johnston, Hon. J. Bennett, U.S. Senator from Louisiana, prepared statement by ... 335

Koch, Edward I., mayor, New York City, prepared statement by ... 329
Kundahl, George G., Executive Director, Securities and Exchange Commission ... 363

Laxalt, Hon. Paul, U.S. Senator from Nevada, prepared statement of ... 2
Lenahan, Walter, Deputy Assistant Secretary for Textiles and Apparels, Department of Commerce ... 451
Li, Victor H., president, East-West Center, Inc., USIA ... 839
Lumpkin, William L., Baptist General Association of Virginia ... 43, 79

Maddox, Robert L., executive director, Americans United for Separation of Church and State ... 84
  Prepared statement ... 86
Martin, John J., former employee, Equal Employment Opportunity Commission ... 164, 194
  Letter from ... 198
  Prepared statement ... 195
Mateer, Donald, president, McCreary Tire & Rubber Co ... 116, 134
  Prepared statement ... 135
McCallum, Jim, Atlantic States Marine Fisheries Commission (national marine fisheries) ... 1, 19
  Prepared statement ... 21
McKinney, Jim, Chief, Mass Media Bureau, FCC ... 611

Page
McMahon, Patricia, chairperson, Funding Criteria Committee, Project Advisory Group 164, 200
Prepared statement 202
Minkel, Edward J., Managing Director, FCC 611
Montgomery, Forest D., counsel, National Association of Evangelicals 43, 74
Prepared statement 76

National Association of Regulatory Utility Commissioners, prepared statement by 272
Nef, Clyde, manager, California Raisin Advisory Board, prepared statement by 322
Nelsen, Dr. Peter, chairman, International Development Institute, prepared statement by 303

Pendleton, Clarence M., Chairman, Commission on Civil Rights 437
Prepared statement 438
Powers, Bob, Chief Scientist, FCC 611

Quarles, William, president, California-Arizona Citrus League, prepared statement by 319

Richards, Nancy A., Director, Office of Budget, Department of Commerce 451
Rosen, Rudolph A., fisheries resource specialist, National Wildlife Federation (national marine fisheries) 1, 25
Prepared statement 27
Ross, Gary M., associate director and congressional liaison, General Conference of Seventh-Day Adventists 43
Prepared statement 53
Rudman, Hon. Warren, U.S. Senator from New Hampshire, prepared statement of 1
Russell, Bill, Director, Office of Public Affairs, FCC 611

Seal, John, Director, Office of Management, Equal Employment Opportunity Commission 401
Senators Cohen, Wilson, Tower, Bentsen, Tsongas, Mitchell, Cranston, Kennedy, Moynihan, and D'Amato, joint letter by 339
Shad, John S.R., Chairman, Securities and Exchange Commission 363
Prepared statement 365
Shannon, Odessa, Director, Office of Program Operations, Equal Employment Opportunity Commission 401
Shakespeare, Frank, Chairman, Board for International Broadcasting 341
Shultz, Hon. George P., Secretary of State 675
Prepared statement 680
Silver, Bert, assistant staff director for administration, Commission on Civil Rights 437
Silverman, Stanley M., Agency Budget Officer, USIA 839
Simpson, Larry B., executive director, Gulf States Marine Fisheries Commission, joint prepared statement 21
Six, Lawrence D., executive director, Pacific Marine Fisheries Commission, joint prepared statement 21
Skehan, Joseph T., president, National Association of Laity 84, 92
Prepared statement 93
Smith, Jack, Chief, Common Carrier Bureau, FCC 611
Smith, Richard, Chief, Field Operations Bureau, FCC 611
Snyder, Alvin, Director, Television and Film Service, USIA 839
Spiers, Ronald I., Under Secretary of State for Management 675
Stanley, Tom, Acting Deputy Chief, Office of Science and Technology 611
Stern, Paula, Commissioner, International Trade Commission 563
Swomley, John M., Jr., St. Paul School of Theology, representing American Civil Liberties Union 84, 103
Prepared statement 105
Szinetar, Miklos, article, "Mosaics About America" 149

Thomas, Clarence, Chairman, Equal Employment Opportunity Commission 401
Prepared statement 403
Tomlinson, Kenneth Y., Associate Director for Broadcasting, USIA 839
Trowbridge, Ronald L., Associate Director for Educational and Cultural Affairs, USIA 839

Page
Vander Myde, Paul A., Assistant Secretary for Congressional and Intergovernmental Affairs, Department of Commerce 451
Voss, Henry J., president, California Farm Bureau Federation, prepared statement by 326

Wattenberg, Ben J., Vice Chairman, Board for International Broadcasting 341
Weber, Michael, marine habitat director, Center for Environmental Education, prepared statement by 291
Wick, Charles Z., Director, U.S. Information Agency 839
    Prepared statement 840
Williams, Harold W., president, Industrial Policy Council, prepared statement by 269

SUBJECT INDEX

BOARD FOR INTERNATIONAL BROADCASTING

Page
Administrative expenses ... 358
Board reorganization ... 347
  Meetings ... 357
  Member compensation ... 356
Broadcast Analysis Department, vacancies being filled in ... 345
Budget request ... 342
Contracted services, projected costs for ... 362
Foreign currency gains ... 356
German pension plan ... 348
Hollings, Hon. Ernest F., U.S. Senator from South Carolina, questions submitted by ... 357
New program support unit ... 345, 359
1984 winter Olympic games, accreditation at ... 350
Personnel staffing ... 358
Program and policy requirements ... 361
Program policy guidelines ... 343, 353
Radio Liberty's Russian broadcast, review of ... 346
Restructured Board, character and caliber of ... 342
RFE/RL, Inc.:
  Financial liabilities of ... 349
  Reorganization ... 353
  Soviet efforts at discrediting ... 351
Rudman, Hon. Warren, U.S. Senator from New Hampshire, questions submitted by ... 353
Transmitter sites ... 384

COMMISSION ON CIVIL RIGHTS

Accomplishments and morale ... 443
Budget request ... 437
  Narrative justifications, revisions in ... 440
Commissioner compensation ... 444, 447
Federal civil rights enforcement ... 446
Former personnel benefits ... 444
Hearing transcript, cost of ... 445
Hollings, Hon. Ernest F., U.S. Senator from South Carolina, questions submitted by ... 446
Specter, Hon. Arlen, U.S. Senator from Pennsylvania, questions submitted by. 446

DEPARTMENT OF COMMERCE

Budget request ... 451
Bureau of the Census ... 496
Center for Fire Research ... 559
Cold neutron research facility ... 469
Congress, confrontation with ... 462
Consulting and related services ... 530
Departmental reorganization ... 461
Economic and statistical analysis ... 501
Economic Development Administration ... 503, 541
EDA, possible alternative on ... 463
Export licensing request ... 464

Page

Farming, reduction in 461
General administration 474, 540
Gross national product, increase in 461
Hatfield, Hon. Mark O., U.S. Senator from Oregon, questions submitted by 538
Hollings, Hon. Ernest F., U.S. Senator from South Carolina, questions submitted by 540
International Trade Administration 504
International trade, competitive position in 455
LANDSAT commercialization 467
Laxalt, Hon. Paul, U.S. Senator from Nevada, questions submitted by 474
LTV/Republic merger 470
Minority Business Development Agency 514
National Bureau of Standards 519
National Oceanic and Atmospheric Administration (NOAA):
  Class Six supercomputer, use of 468
  Research programs 468
National Telecommunications and Information Administration 528
Oceanic and atmospheric resources 459
Office of Textiles and Apparel 544
Oil mergers 472
Patent and Trademark Office 517
Personnel offices 495
Productivity, economic recovery and growth 458
Service delivery and internal management 459
Trade adjustment assistance 466
U.S. Travel and Tourism Administration 517
Weicker, Hon. Lowell P., Jr., U.S. Senator from Connecticut, questions submitted by 534

DEPARTMENT OF STATE

Airfare increases 796
American business abroad 707
Amman, Jordan chancery building 740
Bilateral science and technology agreements 755
Budapest staff housing 816
Budget request 676, 680, 736
Bumpers, Hon. Dale, U.S. Senator from Arkansas, questions submitted by 836
Buying power maintenance account 744
Cairo, Embassy residence in 701, 792, 811
Career development 678
CDE supplemental 799
Cocom expansion 712
Conference on Security and Cooperation in Europe 713
Consular affairs 711
Contributions to international organizations 752
Contributions to international peacekeeping activities 818
Danger pay 809
DeConcini, Hon. Dennis, U.S. Senator from Arizona, questions submitted by 827
Diplomatic and Consular Service 784
El Salvador election 704
Financial management centers 756
Fiscal year 1984 supplemental appropriations 683, 714, 801
FMS/FMC staffing and training 763
Foreign aid levels 702
Foreign Service Institute 745
Foreign Service Retirement and Disability Fund 749
Grace Commission, recommendations of 710
Grenada, forces in 706
  Supplemental 798
Government agencies, reporting to 677
Hollings, Hon. Ernest F., U.S. Senator from South Carolina, questions submitted by 784
Holy See and Vatican City, population and facts on 692
Information collection and analysis 676
Inspector General, GAO report on 726
International Boundary and Water Commission 753
International communications policy 778

Page

International conferences and contingencies ... 782
International Telecommunication Union ... 781
Jerusalem, move of Embassy to ... 697
Johnston, Hon. J. Bennett, U.S. Senator from Louisiana, questions submitted by ... 838
Kiev, consulate in ... 707
Laxalt, Hon. Paul, U.S. Senator from Nevada, questions submitted by ... 711
Mecca, Ambassador to ... 706
Mexico City projects ... 741
Missionaries, role of ... 694
Nicaragua, situation in ... 706
Office of American Institute in Taiwan ... 744
Office of the Legal Adviser ... 732
Organization of American States, contribution to ... 750
Panama Canal study ... 787
Passport security ... 795
Personnel requests ... 686, 720, 804
Police training, foreign assistance funds for ... 700
Politico-military affairs ... 725
RAMC, role of ... 760
    Funding ... 765
Real estate management system ... 774
Reporting and analysis ... 719
Representatives and missions abroad, security threats to ... 678
Reprogramming procedures ... 826
SALT II, policy on ... 705
Secretary's office, renovation of ... 808
Security improvement, major initiatives for ... 678
Security threat analysis activities ... 773
Seoul, Korea, chancery ... 741
Severance pay ... 722
Soviet Union, Jewish emigration from ... 707
Summer Olympics funding ... 720
Summit issue ... 708
Tax equalization fund credit ... 751
The Asia Foundation ... 767
United States-India fund ... 723
U.S. mission, upgrading of ... 688, 696
Vatican, diplomatic relations with ... 687, 790

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Budget request ... 401
    Justification of ... 409
Complaint inventory ... 408
Computation of benefits, task force on ... 406
Employment discrimination ... 406
Enforcement activities ... 404
Foley v. *Norton* case ... 407
Hollings, Hon. Ernest F., U.S. Senator from South Carolina, questions submitted by ... 1006
Management structure, strengthening of ... 403
Rudman, Hon. Warren, U.S. Senator from New Hampshire, questions submitted by ... 411
State and local grantees, funding for ... 409
Voluntary assistance program ... 405

FEDERAL COMMUNICATIONS COMMISSION

Access charge proceeding ... 625
Additional resources ... 635
AT&T service after divestiture ... 627
Budget estimates, summary of ... 622
Chiles, Hon. Lawton, U.S. Senator from Florida, questions submitted by ... 699
Daytime AM radio ... 632
DeConcini, Hon. Dennis, U.S. Senator from Arizona, questions submitted by ... 664
Eagleton, Hon. Thomas F., U.S. Senator from Missouri, questions submitted by ... 666

Page
Financial interest syndication proceeding 624
FM radio drop ins 633
Geostar proposal 613
Hollings, Hon. Ernest F., U.S. Senator from South Carolina, question submitted by 653
International activities 634
Laxalt, Hon. Paul, U.S. Senator from Nevada, questions submitted by 637
Low-power television 631
New technologies 612
Objectives, overview of 612
Political broadcasting and fairness doctrine 629
Private satellite companies 624
Radio Marti 631
Regional operating companies—equipment sales 628

INTERNATIONAL TRADE COMMISSION

Budget request 563
Current workload requirements 569
Department of International Trade and Industry, proposal for 572
Federal funds, salaries and expenses 595
Harmonized commodity code 571, 568
Hollings, Hon. Ernest F., U.S. Senator from South Carolina, questions submitted by 588
Internal audit 588
Laxalt, Hon. Paul, U.S. Senator from Nevada, questions submitted by 575
Relocation of 570, 575
Section 337, investigations under 570

NONDEPARTMENTAL WITNESSES

American Bar Association 264
American Civil Liberties Union 103
American Farm Bureau Federation 314
American Fisheries Society 282
American Society of Civil Engineers 280
Americans United for Separation of Church and State 84
Association of American Universities, American Council of Education, National Association of State Universities and Land-Grant Colleges 315
Atlantic States Marine Fisheries Commission 19
Baptist General Association of Virginia 79
Baptist Joint Committee of Public Affairs 62
Baptist Ministers Conference 107
California-Arizona Citrus League 319
California Farm Bureau Federation 326
California Raisin Advisory Board 322
Center for Environmental Education 291
Clifton Church of Christ 56
Committee on International Broadcasting 334
Coordinating Committee of Hungarian Organizations in North America 137
Consortium for International Citizens Exchange 150
Environmental Fund 172
Federation for American Immigration Reform 164
General Conference of Seventh-Day Adventists 43
Georgetown University 158
Help Endangered Animals—Ridley Turtles (HEART) 296
Industrial Policy Council 269
International Association of Fish and Wildlife Agencies 14
International Development Institute 303
Mayor, New York City 329
McCreary Tire & Rubber Co 134
National Association of Evangelicals 74
National Association of Laity 92
National Association of Public Television Stations 116
National Association of Regulatory Utility Commissioners 272
National Association of State Universitites and Land-Grant Colleges 3
National Fisheries Institute 308
New York State Department of Environmental Conservation 267

Page
NWF—Fisheries and Wildlife Division 25
Ohio Association for Public Education and Religious Liberty 101
Private citizen 194
Project Advisory Group 200
Universalist Association of Churches 57

SECURITIES AND EXCHANGE COMMISSION

Advisory letters, regulation of 383
Budget request 363
  Comprehensive statement, fiscal year 1985 369
Computerization 367
Economical and statistical research 378
Electronic filing systems 364, 366, 374, 381, 395
Enforcement productivity 381
Fees, collection of 394
Field offices 398
Foreign capital 382
Glass-Steagall Act 382, 386, 391
Hollings, Hon. Ernest F., U.S. Senator from South Carolina, questions submitted by 394
Insider trading sanctions 382, 394
Investor protections 363, 377, 387
Laxalt, Hon. Paul, U.S. Senator from Nevada, questions submitted by 384
Personnel increases 397
Program direction 379
Projects, past and current 368

U.S. INFORMATION AGENCY

Advisory Commission on Public Diplomacy 891
Bipartisan reduction package 871
Blacklist 927
  Report on 930
Budget request 854
  Freeze, impact of 876
Cairo center, refurbishment of 885
Central American educational and cultural initiative 849
DeConcini, Hon. Dennis, U.S. Senator from Arizona, questions submitted by 955
Exchange programs 848, 872
Grace Commission report 878
Hollings, Hon. Ernest F., U.S. Senator from South Carolina, questions submitted by 924
Increased role of 983
Laxalt, Hon. Paul, U.S. Senator from Nevada, questions submitted by 876
National Endowment for Democracy 851, 870, 905
  Grant agreement 908
National Academy of Sciences project 901
Overseas security program 879
Polish programming 944
Private sector programs 954
Radio Marti 874, 880
Telephone recordings 924
Television programs 845
Transmitter sites 898
Video diplomacy 866
Video file 867
Voice of America 881, 989
  Advertising budget 888
  Charter 958
  Improvement programs for 893
  Modernization of facilities and operations for 841, 855
  Overview 872
  Personnel vacancies in 886, 959
World Administrative Radio Conference for High Frequency Broadcasting 894
WORLDNET, overview of 866
  Programming 867
  Radio, comparison with 869

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